WILLIAM J. "BILL" KUHRT

Dean of California Marketing Programs

Oral History Office
Shields Library
University of California
Davis, CA 95616

W. J. KUHRT: MARKETING PROGRAMS

Cover: Bill Kuhrt receives the Superior Service Award from Orville Freeman, Secretary of the United States Department of Agriculture (1962).

Frontispiece: Member of the 25 Year Club of the California Department of Agriculture (1982), Sacramento.

WILLIAM J. "BILL" KUHRT

DEAN OF CALIFORNIA MARKETING PROGRAMS

Introduction By
W. WARD HENDERSON

Interviews By
DONALD A. WEINLAND, LOUIS C. SCHAFER
and VERNE SHAHBAZIAN

The Oral History Office
Shields Library
University of California
Davis, CA 95616

© 1983 by the Regents of the Unversity of California

All uses of this manuscript are covered by a legal agreement between the Regents of the University of California and William J. "Bill" Kuhrt. This manuscript is thereby made available for research purposes. All literary rights in the manuscript, including the right to publish, are reserved to the University Librarian, University of California, Davis. No part of the manuscript may be quoted for publication without the written permission of the University Librarian, University Library, University of California, Davis.

Requests for permission to quote for publication should be addressed to the University Librarian, University Library, University of California, Davis, California 95616, and should include identification of the specific passages to be quoted, anticipated use of the passages, and identification of the user. The legal agreement with William J. "Bill" Kuhrt requires that he be notified of the request and allowed thirty days in which to respond.

The procedures of oral history projects include not only the tape recording of memoirs but also their transcription, editing, and eventual production in book form. What is presented to the reader is a version of the spoken word, and overt attempts to mask this fact rob the presentation of the intimacy, candor and spontaneity which give each memoir freshness and charm. However, standard and recognized editorial techniques are used to maintain a consistency of style throughout all oral history project publications. Since basically each title is for University archival deposit, such matters as dates, names, places and scientific terminology must be presented with the utmost precision. Editors will rely on *The Chicago Manual of Style* (1982) and the project's own style sheet to maintain an optimal printed version of the spoken word.

TABLE OF CONTENTS

List of Illustrations vii

Introduction *by W. Ward Henderson* viii

History of the Project x

Acknowledgements xii

Dedication xiii

I. Early Personal and Family History 1

II. High School Graduation; First Jobs 6

III. College Years 8

IV. In the Service 10

V. Adventure Calls 12

VI. First Experiences with Cooperative Marketing 17

VII. The Federal Farm Board 22

VIII. The Northwest Grain Association 28

IX. To California as a Marketing Specialist 34

X. Leadership in California Agriculture 51

XI. Highlights from the Past 108

XII. Retirement, World Travel and Community Service 112

Appendix. The Early History of the Development of California Marketing Controls in Dairy Products and General Crops 113

Index 117

LIST OF ILLUSTRATIONS

Receiving the Superior Service Award from Orville Freeman, Secretary of Agriculture (1962) ..... Cover

Member of the 25 Year Club of the California Department of Agriculture (1982) ..... Frontispiece

School teacher with his class in New York state (1915) 6

Soldier in World War I (Officers Training School, 1918) 10

Assistant Agricultural Economist for the U.S. Department of Agriculture (1925) 17

INTRODUCTION

THE TECHNOLOGICAL REVOLUTION of the twentieth century in our production agriculture was accompanied by a multitude of marketing problems. California shared many of the national problems, but it also had some unique situations of its own due to its specialized nature and its long distances from the eastern states.

William J. "Bill" Kuhrt's professional career was contemporaneous with many of these developments and a major part of his attention was directed toward the identification and solution of marketing problems— first at the regional and national level, and later in California. Bill came to California in 1932 following assignments with the Northwest Grain Association in Minneapolis and the Cooperative Marketing Division, U.S. Department of Agriculture, in Washington, D.C. He played a major role in ending the disastrous Los Angeles milk war and was instrumental in drafting the legislation which still forms the basis of the state's milk laws.

Bill drafted the California Marketing Act and the Agricultural Producers Marketing Act covering many agricultural commodities in addition to milk. He was charged with the administration and enforcement of the California Department of Agriculture's marketing programs, serving as Division Chief for the eight marketing bureaus in 1955, as Assistant Director in 1957, as Deputy Director in 1958, and as Chief Deputy Director in 1960 until his retirement in 1963.

In 1961 Bill was chosen by Governor Edmund Brown as the marketing expert to accompany the Chile— California Committee to study agricultural problems in Chile. In 1962 he was selected by the U.S. Secretary of Agriculture, Orville Freeman, to receive the Department's Superior Service Award, the first ever granted to an employee of a state Department of Agriculture.

In reading this memoir, it seems evident that many of the marketing problems Bill addressed were already of crisis proportions by the time he arrived on the scene. Conflict was prevalent and the economic stakes were high. There was

no "good" solution that would please everyone. The situation was further clouded by the strong feeling on the part of some individuals— both in and out of government— that government has no business interfering in economic matters. It also is evident that Bill Kuhrt was no stranger to conflict. Perhaps he didn't search out battle, but he rather seemed to enjoy the fray. Through it all he was guided by a desire for fair play, and for law and order in its broadest sense. His tenacity and dogged determination carried him through when less tough individuals might have failed.

There had been a feeling for some time that it would be desirable to have a record of the informal side of the early marketing developments in California as a supplement to the legal and statistical records. In 1981, a group of Bill's former co-workers formulated plans to preserve his memories in this regard. A committee was formed to handle the preparatory work and conduct the tape recorded interviews. The members were Louis C. Schafer, Donald A. Weinland, Leroy Walker, W. Ward Henderson, and Vernon L. Shahbazian, all past or present employees of the California Department of Agriculture. The interviews were conducted during the winter of 1981-1982. The transcript of the tapes was then edited and prepared for publication by Lawrence Morgan and Ruth Fowler of the Oral History Office at the University of California, Davis.

The reader of this memoir will have an opportunity to get some of the "behind the scenes action" relating to the early marketing work and to capture the zest and flavor of a deeply involved participant. For those who know Bill Kuhrt, it is almost like listening to him speak.

W. Ward Henderson

Sacramento, California
December 1982

HISTORY OF THE PROJECT

THE W.J. "BILL" KUHRT oral history was initiated by Donald A. Weinland, a retired employee of the California Department of Food and Agriculture. His first meeting with Mr. Kuhrt was in 1940 when Mr. Weinland was employed as a young marketing specialist in the U.S. Department of Agriculture in Washington, D.C.

Mr. Weinland, together with three other retired employees of the California Department of Food and Agriculture and one current employee, formed an ad hoc committee in the late months of 1981. Each member of the committee actively performed leadership positions in the marketing functions of the Department for many years in association with and under the direction of Mr. Kuhrt.

This committee of initial sponsors consists of:

Donald A. Weinland
Louis C. Schafer
W. Ward Henderson
Leroy Walker
Verne Shahbazian

The committee believed that the dynamics of agricultural marketing and the development of government marketing activities needed to be preserved. It was this committee's unanimous opinion that this could be accomplished exceedingly well through the oral history of Mr. Kuhrt. It was obvious that his recollections would provide a keen insight into this aspect of California's greatest industry. He was the foremost leader and an active participant from the beginning, in the development of the California marketing laws. Thus, the committee launched the project.

Fundraising procedures to meet necessary costs were implemented by the committee. Mr. Schafer gave his time and talents to this endeavor and was successful in achieving the financial goal estimated by the committee as necessary for the project. The interviews took place during late 1981 through the spring of 1982. They were conducted at Mr. Kuhrt's home in Sacramento with nine sessions of about two hours each.

Mr. Weinland participated in all interviews. Mr. Schafer was the lead interviewer on the milk marketing laws, and Mr. Shahbazian performed this part on the general marketing laws.

Financial sponsorship was obtained from a wide number of individuals and marketing institutions associated with Mr. Kuhrt over the years.

Following is a list of the project sponsors:

Agricultural Council of California
Associated Dairymen
J. F. Bennett
Robert and Mary Benno
California Association of Winegrape Growers
California Cattlemen's Association
California Fig Institute
California Iceberg Lettuce Committee
California Milk Producers
Herbert L. Cohen
Consolidated Milk Producers of California
Crystal Cream and Butter Company
Dairy Institute of California
Dried Fruit Association of California
Flamingo Dairy
Galen Geller
Tak Higuchi
W. C. Jacobsen
Kidney Bean Growers, Inc.
John J. Kovacevich
Edwin M. Leiby
Allen B. Lemmon
Emil M. Loe
Stanley M. Mather
Donald C. McClain
Bob McCune and Associates
Robert M. McCune
Joe E. Mullin
John V. Newman
Alvin Quist
Raisin Bargaining Association
J. D. Rowell
Wesley Sawyer
Russell Swendseid
Mr. and Mrs. Joseph W. Tiberio
William E. Warne and Edith Warne

ACKNOWLEDGEMENTS

I would like to express appreciation to a number of people who have helped me very much over the years of my professional career. On the legal side, I would like to express appreciation to Matthew O. Tobriner, later associate justice of the Supreme Court, and Ralph Cowing, a deputy attorney general, both of whom helped to advise me on legal matters in drafting work. On the economic side, I discussed a number of problems with Dr. Harry Wellman of the Giannini Foundation. I was especially appreciative of the attitude and helpfulness of my first wife, Dorothy, who shared with me the failures and the successes as they came along and lent me support. My long time secretary, Josephine Dreifus, was a great help with her unusual capability and thoughtfulness. Lastly, I wish to thank the committee which has done such a fine and selfless job in sponsoring this oral history project. Thank you all.

WILLIAM J. (BILL) KUHRT

Dedication

To my father and mother, William and Elizabeth Kuhrt, who did their best to see that their six children had the opportunity to receive the best education possible.

I. EARLY PERSONAL AND FAMILY HISTORY

Bill, we'll start with your family origins. Tell us something about where your family came from.

Both on my mother's side and on my father's side, the family came from northern Germany. On my father's side they came from an area not very far from Greifswald, on the Baltic, pretty well to the north opposite Sweden. My mother's family came from Mechlenburg, which is in the northern part of Germany across the Baltic from Norway and Sweden. All of this area is now, of course, in East Germany. My grandfathers on both sides came over to the United States and landed in western New York, about 45 miles southwest of Buffalo. They started to work in the building of the Nickel Plate Railroad, which was being built to run between New York and Chicago.

What year was that?

Well, I imagine it would be about 1880. I can't be exact about it— I don't have any documents— but about that time the Nickel Plate Railroad was being built. My grandfathers on both sides of the family worked on the railroad. They had small farms, not very far from the railroad roadbed, and some of their older sons also worked on the railroad. Eventually, after the road was built they just became farmers. My father was about fourteen years old when he came over from Germany.

What was your father's name?

My father's name was William Maurice Kuhrt. He had been in school in a suburb of Berlin. My grandfather Kūhrt as it's pronounced in German, had moved from the Greifswald area. Actually it was the little town of Gribau, and I think my father was confirmed in the Lutheran church in the town called Ranzin. My grandfather was married twice; his first wife passed away. He had four children by her— three girls and one son. With his second wife he had four children, three sons and a daughter. My father was second of the three sons.

Two of the girls and one of the sons emigrated to the United States. One went to Chicago; one went to Silver Creek, New York; and my uncle, that is, my father's half-brother, bought a farm not very far from where I was born and brought up. But my grandfather came over with some of his

older children from his second wife. He is the one who worked on the railroad. Now, my father came a bit later. He had been in school and he went to work immediately for a family in which the husband was a ship captain on the Great Lakes. His name was Reed, and he had a son by the name of Daniel Reed, about the same age as my father. My father worked on that farm, which was right near the shore of Lake Erie, and he somewhat grew up with Daniel Reed, who later became the congressman from our district in western New York. I knew Daniel Reed when I went to Washington later, and he used to talk about my father quite a bit.

My mother was born on the farm in Sheridan, and went to school in a small schoolhouse very close to her home. She went through the sixth grade, as I remember. Then she got a job as a domestic for a very well-to-do woman who owned one of the finest farms in that area, quite close to the little village of Sheridan, which was the name of the township where we had the farm. After my father and mother were married, about 1887 or 1888....

What was your mother's name?

My mother's name was Elizabeth Massman. She was the oldest of the six children in her family. My mother and father were married, and then my father went to work as a machinist in the Brooks Locomotive Works, which was then located in Dunkirk, New York. Later he was employed in the same shop by a company called the Martin Anti Fire and Heating Company. This company installed steam fittings into railroad passenger cars. My father had worked at that job for three to four years when he began to have some difficulty with his lungs, some difficulty in trying to get rid of colds, so my parents decided one day to find a farm. They hired a rig and went out six miles, out into the town of Sheridan, and found a farm which was owned and operated primarily as a fruit and dairy farm. It had very good buildings, but there were only 50 acres of land, and some of that was pretty wet.

I was born and raised on that farm. I had two older brothers. Reuben was the oldest. He was about six years older than I, and the next one, Raymond, was about two and a half years older. I came along on December 16, 1895. Thereafter there were no more children until eight years later when my sister Ethelyn was born, and then a year and a half later twins came along, Marguerite and Marjorie. The girls are all still alive and doing quite well. Both of my brothers have passed on.

Where was this farm?

The farm was in the township of Sheridan, which is in Chautauqua County, the last county on the west of New York state. The nearest towns around were Dunkirk and Fredonia, both six miles away. Dunkirk was then a city of about 35,000 and most of the men who lived in that city worked in the Brooks Locomotive Company, a locomotive plant which later moved to Schenectady, New York. Another town that was quite close was Silver Creek, which is right on Lake Erie. Another village, as we called it, back away from the lake a little bit, was Forestville. That's where I went to school

starting in the fifth grade. In the earlier grades I went to a small local school just down the road from where we lived.

What was your father like? Were you close to your father?

Oh, yes. My father was a tall man, about six feet two inches. He had very much a Danish type of head, if you know what I mean. A very quiet man, had very little to say, but we all soon learned that when he had something to say, he said it once. It wasn't necessary for him to say it the second time. My mother was quite a different type. She loved to talk. She was the affable one and also the one with the energy to drive and plan things.

But they got along very well. There were the six children. As I have said many times, we didn't have very much money, but we had good food all the time. And both my father and my mother were very anxious for each of us children to get the maximum amount of education. Now, my father spoke High German and my mother spoke Low German or Plattdeutsch, but not in the home. One wouldn't guess that my mother was German at all because she had no accent, and my father had very little accent. He made it a point not to have an accent, and he would not teach us German, nor would he allow German to be spoken in the home. He said if we learn German now, we would always have an accent, and he didn't want that. He said we came to the United States to be Americans and that's the way we were going to be. I say that because later on during World War I he had an opportunity to show his loyalty to the United States.

What was life like on the farm?

We had a good farm even though it was small. We had about twelve or fifteen acres of Concord grapes and we also had a dairy of somewhere between fifteen and twenty head of milking cows. We had two teams of horses, one lightweight (1,050 pounds) and another that would weigh between 1,250 and 1,400 pounds. No one knew anything about an automobile in those days. We used wood for the cook stove and for heating. We had chunk stoves in two of the rooms of the house and all the cooking was done with small wood that we cut. I have many happy memories of going into the woods all during the winter season on Saturdays. We never worked on Sundays, but on holidays, Saturdays and vacations we all went into the woods, my father and the boys, and we cut wood.

We had a pretty good size wood lot. We would cut the wood into blocks, bring it up to the house, and then when it had frozen real hard we would split it and cut it up, so that we could pile it in the wood shed. We had a wood shed that would hold probably fifteen or twenty cords of wood, and it would be allowed to season so that we always had plenty of wood.

When I was fourteen years old a gas well was drilled on our farm, and it came in for about a million cubic feet per twenty-four hours. It was hooked into the main line. By that time there had been many good gas wells discovered in that area of the county, and so from that time on we had free gas. The house was piped for gas, and we also had gaslights in the barn.

So we sort of got away from cutting wood after the gas came along. At the same time, we always cut some timber in the wintertime to be taken to the sawmill and milled into boards and two-by-fours and all types of wood that we might need. The boards were mostly hemlock—we had no pine by that time. The pine had all been stripped away long before my father bought the farm. But we also had black ash, white ash, hickory nut, beech and many other types of wood that we don't find here in California. We had plenty of wood and we always seemed to have a good big garden. We always had two litters of pigs in the fall and two litters of pigs in the spring. These were butchered and sold to retail butchers in the spring. We always kept two 200-pound hogs to be put away in the fall, and the same way in the spring. We always had half of a side of beef. We also had somewhere between 500 and 1,000 laying hens most all the time when I was a kid. We hatched our own chickens, and we always had ducks, geese, turkeys, and all kinds of birds of that sort. So we had plenty of good food to eat. My folks insisted on this.

Were you a religious family?

My father was brought up as a Lutheran, and my mother was too. But there was no Lutheran church closer than Dunkirk which was six miles away, and that was a little too far to travel on Sunday, especially in the wintertime. There was a local Methodist church in the little village of Sheridan. Now, of course there were several churches in Forestville, which was much larger. But we always went to the church in Sheridan. As I got a little bit older, I took quite an active part in this community church. I was superintendent of the Sunday school for two or three years and I also ran the lyceum course. This was a course of speakers and musicians that would come to the church. We sold the tickets to the farm people all over the community. It was very well received and we had some very fine speakers, if you can imagine, even in a small community like that. There was no other entertainment of any sort, and people enjoyed it very much. I sort of ran the thing. I walked and rode my bicycle through the neighborhood and sold the tickets. We had no automobile in those days, so we had to walk or drive a horse-drawn buggy, or ride the bicycle in the summertime and a cutter in the wintertime. I don't know whether you know what a cutter is—it's a sleigh with two runners that has room for two people. There are also sleighs that have two seats with room for four people.

What were the politics in your family?

Well, the politics at the time were sort of mixed. I guess you would have to say that they were mostly Republican. As a matter of fact, I can only recall one man in the whole community who was anything but a Republican. I didn't learn how to spell the word Democrat until I was twelve or fourteen years old. But we never thought anything about that. Actually, Democrat or Republican didn't mean anything to us locally. What we were concerned with was the character and ability of the man who was running for office. I'll tell you a little bit more about that after I get on with the education, if you would like me to. I finished high school in the Forestville High School in 1913.

Did you have any close friends when you were growing up?

Oh, yes, I had a number of close friends. I had one friend by the name of Waxham, we called him Stubby Waxham. He was almost as big around as he was tall. His folks had a small farm up in the hills, very close to a little town called Nashville. He and I were very close friends, and we remained close friends even as we got to Cornell later. His father had a sugar bush of about thirty acres of hard maple trees, and that little farm was his main source of income.

In the springtime when the maple sap started to run, I was always invited to go home with Stubby over a weekend to help in gathering the sap. We used one horse and a kind of flat board arrangement, called a slip, that carried two fifty-gallon wooden barrels. I would collect the sap, going from one tree to the next, on around through what we called the sugar bush. Then I would bring it back to the building and up onto a raised place where we could dump the sap from the barrels into the big vat from which it flowed down across the plate where it was heated. I'm not sure if you are familiar with the making of maple syrup, but in those days, they had a wood fire underneath a steel plate that was on a very mild slant. The maple sap would come in at the upper side and run down in a thin sheet across this plate, and end up on the lower end with a considerable part of the moisture taken out of the sap. It would be a kind of light syrup, which would then be put onto a kettle and boiled down to a certain brix, a certain sweetness, then strained of course, and poured into gallon cans. Some would be made into the hard sugar, bricks of maple sugar.

II. HIGH SCHOOL GRADUATION; FIRST JOBS

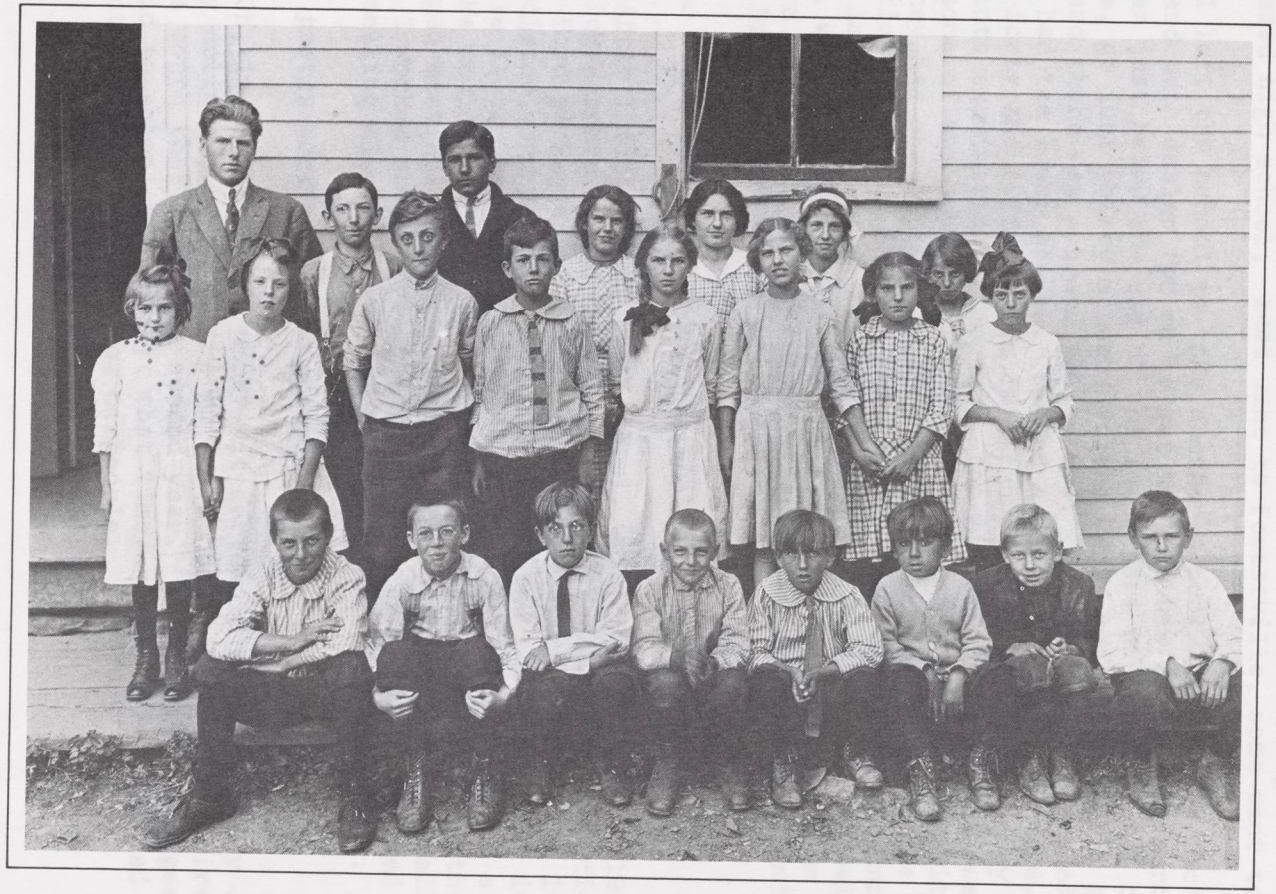
What did you do after you graduated from high school?

As I said, I graduated from high school in 1913, and I decided to take a year of teacher's training school which was given in the same school. I stayed with that for the most part during the year, although it became quite tedious for me. At the end of the year I got a job teaching a grade school with twenty-six pupils and seven grades— all of the grades except the seventh grade. The eighth grade, of course, as all of the grades in New York State at that time beginning with the fifth grade, was required to pass examinations which were prepared and sent out to the schools by the New York State Department of Education. For the first four grades, the district superintendent of the county prepared the exams. The questions for the eighth grade, called the Regents Examination, covered all the basic subjects: English, American history, arithmetic, spelling, geography and physiology, all required subjects. A student had to get 75 percent in each one of these before he could enter high school. If he failed one, he had to take a makeup in the summertime before he could enter high school.

There was a requirement in the schools in New York State at that time, which provided each teacher in the lower grades (grades through the eighth grade) with what was called a syllabus. The syllabus prescribed what must be taught by the teacher in subjects in each of the grades. A pupil had to be taught all of the required material set forth in the syllabus. Unless the teacher could certify that he had taught all of these pupils all of the required material, he could not draw his pay the last month of the school year. This requirement was excellent because we not only made a strong effort to cover all the material, but also we always had time to go back and do some reviewing and preparation to make sure that even the slowest of the pupils had learned most of it.

Would you like to comment on the first school you taught in?

In the first school that I taught, the Number 10 in the township of Sheridan, about one-third of the pupils were Italian, their parents were immigrants from Italy. About one-third were Polish or Russian-Polish whose parents were also immigrants. Most of the parents couldn't speak much English at all, that is, not to amount to anything. The other third were American families. But it was a very interesting school.



Bill Kuhrt as school teacher with his class in New York state (1915).

We even organized a farmers' club which met once a month and had speakers on major farm subjects. They had to come all the way up to that little school in the wintertime. It was pretty rugged— sometimes snowdrifts might be five or six feet deep. But anyway, that school went on very nicely. The eighth grade pupils all passed the State Regents examination and entered high school; some went to Forestville, some went to Dunkirk.

I left the school to take another school which was a much finer school and much easier for me to get to. It was on the interurban line which ran just below the end of the lower part of our farm. I could get on there, go just thirty minutes to the west, get off and walk a block or so, and there was a brand new school. I had the upper grades, and another teacher had the lower grades. We had a similar situation there. I had between forty and fifty pupils in the upper grades. Some of my pupils took the Regents examination in January, the middle of the school year, and passed some of the subjects. And then some of them had very little to do, maybe they had one or two subjects still to be prepared to take the Regents examination in June. So they asked me to find them something more to do. In that last year I taught algebra and Latin to this eighth grade group. They all went through and passed the Regents examination. From that school they were just about three or four miles outside of Dunkirk, and they all went to Dunkirk High School afterwards.

After you finished teaching school, what happened?

After I finished at that school, which was in June of 1916, I got a job selling Wearever Aluminum with my friend Waxham, who I mentioned. He had a little Ford pickup truck, a Model T, even before a Model T. It had a brass radiator, and of course it had to be hand cranked. That is the first automobile I ever had anything to do with, and he and I worked a group of towns. He would take one side of the street and I would take the other. We arranged meetings of housewives and cooked roasts, and did all kinds of things. I worked about three months at this job, and I averaged almost $300 a month selling aluminumware, and my friend did almost as well.

That was pretty good money for those days.

Oh, it was excellent money— it certainly was good money compared to the fifty dollars a month that I got as a school teacher the first year, and the $60 a month that I got the second year. Those were the wages that were being paid to school teachers at that time. But, anyway, we had a good time and we got acquainted with a lot of people.

III. COLLEGE YEARS

When did you begin your college studies?

In the fall of 1916 I entered Cornell University, in the Law School, and took most of the courses that were required for the freshman year. Some of the courses that I remember are American history, English, economics, a five-hour course in physiology, a five-hour course in English constitutional history, and a five-hour course in Torts. I enjoyed all of these courses, particularly English constitutional history. I don't know just why, but it seemed to strike a chord with me to learn the basis for the establishment and development of the constitutional principles which form the basis of the American judicial system.

In the early spring of 1917, as you will recall, the United States entered the first world war and things at Cornell were pretty chaotic. I was trying out for the freshman baseball team. I had played baseball on the high school team at Forestville and played two years on the town team. Then I tried out for the freshman team at Cornell. But after the war started, all of those activities were stopped. The administration at Cornell, at the suggestion of the federal government, proposed that those of us who came from farms should go back home and help to produce food for the Allies, rather than try to get into the army. Of course, we were all subject to the draft that was on, but I hadn't come anywhere near to being called. I had started taking ROTC in the fall of 1916. I took ROTC all through 1917, but as I said in April of 1917 it was suggested that we go home and help to produce food. The Law School administration gave me credit for all of the courses that I was taking, so I received a full year's credit in law at Cornell. I have maintained my contact with the Cornell Law School ever since.

When you returned home from college, how did things go?

I went home and told my father that I could help him on the farm. By that time he had bought another 122 acre farm across the road, so that all together he had 177 acres of land to take care of. He said, "Well, I can't pay you too much, but I'll give you the use of two acres of our good mook land. We can decide what you want to grow on it, if you'd like."

We discussed several things and finally settled on late cabbage. I am mentioning this because it had quite a bit to do with my decision later

on to get into agricultural economics. We sent away and got the Danish ball head seed, the very best that was available. We grew our own plants. We planted the two acres and I think we had practically a perfect stand of cabbage. It grew just beautifully until about the middle of July and then a drought came on. It didn't rain any more until the early part of September. The cabbage just stood still — it didn't grow any more; and there was no certainty that it would ever head up, because the heads hadn't started to form previously. But I worked in the fields almost every night, hoeing and stirring up the ground to conserve the moisture.

Then in early September, the rains started and the cabbage began to grow and head up. By the time I went back to school, that second year, it was obvious that I was going to have some cabbage, though I didn't know how much. At that time, I had sort of lost some of my incentive for law, partly because of lack of money and partly because of my change in interest to agricultural economics. My interest seemed to grow stronger in the agricultural field rather than the law field. About the last of October, my folks called and said the cabbage was getting ready to be sold and asked what I wanted to do about it. My father said, "You have got an offer for the whole crop for six dollars a ton." Six dollars was the price being paid for sauerkraut, just a base price. I didn't know anything about the cabbage market, so I went into the Department of Agricultural Economics there at Cornell, and to Dr. Bill Myers, the head of the department. He said, "You mean to say you've got cabbage?" And I said, "Yes, I've got quite a bit, probably over twenty tons." He said, "Well, for heaven's sake hang on to it because cabbage is very, very scarce this year. The drought just practically wiped out the growers in the other parts of the state. If you've got cabbage, you're going to get a good price for it.

What kind of price did you get for the crop?

I told my folks to hang on and not to make any deals. I went back home for a few days and during the period that I was there, I had offers starting at ten dollars a ton, then twenty dollars a ton, thirty dollars a ton, and finally I sold the whole works for sixty-five dollars a ton! So I had plenty of money to go back to Cornell for my second year.

I realized then that the law of supply and demand is quite healthy. It really does work, and in that case it worked in my favor. I went on in the College of Agriculture. Of course I didn't have to pay any tuition, being a resident of the state of New York. I took all of the basic courses that were required to get a degree in agricultural science.

IV. IN THE SERVICE

When did you sign up for military service?

In April of 1918, we were told in ROTC that we were all eligible to be brought into the Fourth Officers Training School. Sometime in April of 1918, I left school to enter the Fourth Officers Training School. I got credit for all of the courses, but had to take final examinations in two of them in order to do so. I went down to Camp Meade, Maryland, and registered into the Fourth Officers Training School. About two weeks later, those of us who chose field artillery were transferred to Camp Zachary Taylor, Kentucky. I stayed there until the last of August, when I received a commission as a second lieutenant in field artillery. From there, I was sent to the field artillery replacement depot at Camp Jackson, South Carolina, where I stayed for one week. There I had an opportunity to register for acceptance at the Battery Commanders School in field artillery at Fort Sill, Oklahoma.

Were you accepted for the additional training in Oklahoma?

To my great surprise, two of us that signed our names, one lunch time, were selected to go to Fort Sill. So in the next day or two, we were on the train on our way to Fort Sill. The battery commanders course was a ten-week course which prepared us for immediate action on the front line in France. It attempted to cover the field artillery course at West Point in ten weeks, if you can imagine what that would be! We were told to begin with that if we did not pass with a grade of at least 60 percent, we probably would lose our commissions. Of course, they did that to scare us, but I don't think I have ever studied so hard in my life or worried so much, as I did in the next ten weeks.

I finished the course, and got a little slip of paper saying that I had finished the course and was eligible for appointment as battery commander, which, of course, was captain. I immediately was given command of Battery F of the 56th Regiment of Field Artillery, but the day before we finished, the armistice was signed, the eleventh of November 1918. So everything went sort of dead after that. They didn't go through with the appointments as originally indicated and my battery was sent back to Post Field as part of what they call brigade firing instruction. My battery, Battery F, was made up of old regulars that had seen service in the Philippines. They knew all about horses, they knew all about army life,

Bill Kuhrt, age 23, as soldier in World War I (Officers Training School, 1918).

but they didn't know anything about gunnery, especially field gunnery. In those days we used horses, you see, to pull guns and the caissons. A very unusual circumstance was developing. I noticed that they were building up the ranks of all the batteries with men, horses, new equipment and guns. Everyone was wondering what was going on, untill finally it became apparent that we were going to be sent somewhere, although no one would say where. I didn't want to stay in the army after the war was over. I had no desire to make that a permanent occupation. So I went to the commandant of the school, the commandant of the area, and told him that I would like to be mustered out.

How did he react?

He refused, saying "We spent a lot of money on you, some thirty to forty thousand dollars, and we are just not going to waste it." Then he gave me a real strong talk about my chances in the army and in the field artillery, and why I should stay in and so on. Still I couldn't be persuaded, but he wouldn't sign the papers releasing me.

That was in the early part of December, so I couldn't think of anything else to do except send a telegram to my father's old friend Daniel Reed, who by that time was the congressman from our district. I told him that I wanted to get back to Cornell and that I didn't want to stay in the army as a lifetime career. I didn't hear anything from Daniel Reed, but about four days before Christmas I was out commanding the battery on the firing range, and a courier came out with a stick and a paper fluttering in the wind and handed it to me. It said, "You will report immediately for discharge." So I got out of the army just before Christmas in 1918, and managed to get home just before Christmas eve.

V. ADVENTURE CALLS

Did you return to Cornell right away?

I wanted to get back to Cornell, so I went there to check on the courses that I could get for the balance of the year. I could only get two courses. The ones that I was requesting were not being given that semester. So I decided to wait until the next fall in order to take a full course. In the meantime, I learned that Cornell had waived the residence requirements so that it wasn't necessary to spend two more years in order to get the degree. In other words, they said that when you had completed your credits, you had the degree.

So I worked around the farm and for neighbors that summer and got a few hundred dollars together. Then I was undecided whether I would go in law again, or in agriculture. I met a friend of mine in September and asked him what he was planning to do. He said, "I'm going down to Texas. I have a job in the oil fields. Why don't you come along with me?" I said, "Well, what's in it?" And he replied, "Well, the work is hard down there, but they're paying pretty big wages, a lot better wages than you can get around here." So instead of going back to Cornell that fall, I went down to Texas with my friend. He went straight to Breckenridge where he had a job, but he suggested that I stay in Fort Worth until he could check out the situation and send me a wire or phone me, to tell me if there was a job there.

I stayed in Fort Worth for a week or so, but never heard a word from him. Then I spent a few days in Dallas, but didn't get a job there. Finally, with just barely enough money, I got a railroad ticket to Wichita Falls, where I heard and saw in the newspaper that they were hiring people as roustabouts. That meant doing untrained work on the oil wells. When I got off the train at Wichita Falls, I hadn't had any breakfast, and I had only fifty cents in my pocket. I got some breakfast, then I was really broke.

Did you have any luck in finding work?

The proprietor of the restaurant, when I asked him if there was any work around, said, "Well, there's a fellow coming in at noon today who's looking for a carpenter. Are you a carpenter?" I said, "Sure, what are they building?" He said, "I don't know, but he can tell you." So I stayed around in the restaurant from about nine in the morning until noon, and

sure enough the fellow came in. He was what we called a "tool pusher." He had a Pierce Arrow outfit with a flatbed in back and some drill bits. He came in, went over to the proprietor and talked to the fellow, and pointed to me. Then the fellow came over and asked, "Are you a carpenter?" I said, "Sure, what are you building?" He replied, "Well, we're building some bunkhouses and some corrals for the horses and the mules out on the wildcat operation twenty-five miles out of town. Where are your tools?" I told him, "Well, they haven't come in yet, but if that's all you're building all you need is a saw and a hammer and a square." He said, "Okay, let's go and get them."

So we went over to the hardware store and bought the necessary tools, and he said, "Have you had your lunch yet?" I said, "No, I haven't," and he said, "Well, let's get some lunch, then we'll go on out." So we went out to the place and I stayed there until February of the next year. By that time I had gotten in touch with my friend who was at Breckenridge to the south. Breckenridge was a new field just opening up. The two wells that I worked on were finally abandoned, because they were down about four thousand feet and hadn't struck anything. They pulled the rigs down and I took what money I had and went down to Breckenridge.

Did you find your friend, once you got to Breckenridge?

I couldn't find my friend for some time, and finally gave up getting in touch with him. I had enough money to stay at the Y.M.C.A. for a few days, although I hadn't gotten a job yet. There was a casing crew staying there. The crew manager came up to me one day and said, "Have you ever worked on a casing crew?" I said, "Sure." He said, "Well, we need you right now. Come on, get your clothes and let's go." So he drove us out to a well in a flatbed truck and on the way out he asked, "What position do you take on the crew?" When I hesitated, he turned around and said, "You mean to tell me you have never worked on a crew? My God, man, you'll get killed!" I said, "Well, give me the least dangerous job the first day. I'll get along after that." So he put me out on the walkway to steer lengths of the pipe into the derrick.

I did that for about two sessions, and after that I worked on all phases of the operation. I stayed with that for six or seven months. We made pretty good money when we worked— fourteen dollars per twelve hours— but the boss man got ten percent of our money.

Things got a little bit quiet on that job, so three of us who had been in World War I (the other two were captains) formed a little partnership to get into the real estate business in Breckenridge. We had an office in the Chamber of Commerce where we sold oil leases and oil properties and rented tents. There were no houses. Breckenridge was just a boom town. It had a population of about seven hundred when I got there. There was no railroad, and no real roads. As I said, I stayed at the Y.M.C.A. In drilling up the field, they started seven miles away and drilled right straight through the town, even through the cemetery, and finally drilled

two wells on the lots that were owned by the Y.M.C.A. Both of them came in for five thousand barrels apiece. So things were looking up and we were making a little money. Still, the other two fellows that were with me in the real estate field wanted to get out of Breckenridge and go home. One was from Virginia and one was from Oklahoma. I didn't want to continue alone in the business, so I went back and got a job on the casing crew.

By that time, the situation was pretty slow, and we were being called out just enough to pay for our expenses. Another fellow and I got a job setting up furniture and wagons and whatnot for the local wholesale and retail hardware store. We worked at that about a week, and finally the boss of the casing crew told me that the other members of the crew were getting dissatisfied over the fact that this other fellow and I were earning money all the time while the rest of them were sitting around in the Y.M.C.A. He wanted me to chuck the job that we had with the hardware store. I said, "Well now, that seems a little unreasonable because we're just taking up time. If you need us you know where we are. You can get us in five minutes." He said, "Well, the boys are dissatisfied."

How did you deal with that situation?

Well, it so happened that that very day the manager of the store had said to me, "If you would like to go to work for the store collecting accounts, we'll put you on $250 a month. We'll give you a car, and we'll give you a room where you can stay." I said, "Well, can I think it over?" He said, "Sure." Well, that was when I went back to the Y.M.C.A. and the boss said that we would have to quit the job, and I said, "Well, thank you very much, I guess I'll just quit then."

So I went to work for the store and stayed for almost two years. I had to drive all through the area, about twenty-five miles in every direction around Breckenridge. I collected about $80,000 a month. Some of my experiences— for example, being held up— were quite unique. They included just about everything that you could imagine. But I did save some money. By the end of that job in 1921, I had saved $1,400, which of course I thought was enough to get me through Cornell.

In February I had written to Cornell to ask if I could come back and take the courses. I was advised to wait until fall, when I could take a full semester of courses. I was planning to do this. I had been working and I was training a young fellow to take my job, who had two years at Texas A&M. The last week that I was there I went over to a young people's social at the church one Sunday evening (ice cream and cake, and a little Christian service and something of that sort). I got acquainted with a young lady there whose father was the president of the bank.

When it came time to go home, I asked this young lady if I might accompany her and she consented. You see, conditions in Breckenridge were so dangerous that you almost had to carry a gun in order to walk the streets. There were holdups all the time, and they finally sent in half a company of Texas Rangers to keep the peace. So we walked back to her

home, which was just a short distance from the bank where I had my money. Theirs was one of only ten or twelve houses in the whole town, which by that time was getting towards 30,000. It was spread out over a large area and was mostly shacks and tents.

The young lady and I sat on the veranda and talked a while. She was going to a girls school in Dallas and she wanted to know what I was studying. Finally, just before I left to go back to the store, which was only half a block from there, she said, "I'd like to ask a favor of you." So I said, "Well, what can I do?" She said, "I want you to do this the first thing in the morning. I don't want you to say anything to anybody, but I want you to get yourself a cashier's check for all the money you have in the bank and send it back to your bank in New York State."

Did you follow her advice?

Well, I said to myself, "She's got an awful lot of courage to say that—she must know something." So I got my money, and sent it back home about ten days to two weeks before I was leaving. I finished training the young man from Texas A&M to take over my job, and then I went back home to western New York.

Just a few days after I got home, I got a letter from one of the men who had worked with me in the store, and he said, "You left just in time. They dropped the price of oil from $3.50 a barrel to 90 cents. The whole town is broke— the bank went broke. They found out that the money had been used to buy oil leases and oil properties, and there is nothing much except 10 percent. The store is broke. We don't have any money, we don't have a job, we don't have anything."

So I had my money. I had left Breckenridge in February and couldn't get back to Cornell until that fall, which was the fall of 1921. I waited all that spring and summer. I played semiprofessional baseball, enough so that I could not try out for the varsity team at Cornell later.

How did things go when you returned to Cornell?

Once I returned to Cornell, I was allowed to take twenty-four hours right straight through, including summer school. I finished in September of 1922, receiving the Bachelor of Science degree in agriculture.

It was during this last year that I specialized heavily in cooperative marketing. One of the finest courses being taught in the agricultural college at that time was a course in cooperative marketing given by Professor Howard Babcock. He had a unique method of teaching. He actually gave us as assignments the problems that were confronting the boards of directors of cooperatives in New York state. One was the New York State Apple Growers Association, another was the Dairymen's League in New York, and another was what they called the GLF Exchange, the Grange, Dairymen's League and Farm Bureau Federation, which agency sponsored it.

Was this the Professor Babcock who developed the Babcock Test?

No, he's another scientist. Babcock had a unique way of teaching. It was interesting enough so that he attracted over seventy students who were taking his course in cooperative marketing. Incidentally, I checked up about ten or twelve years later and found that every student except one had gone into cooperative marketing. The other one became a bond salesman. We all got very interested in cooperative marketing and we were allowed to choose which association we would become especially familiar with. I chose the Grange, League, Federation Exchange, or GLF, which was a brand new farmers cooperative buying association for dairy feed, fertilizers, grass seeds, and other supplies.

Those of us in the course who chose this particular board of directors were graded on our judgment as to what changes in policy we would suggest to the real board of directors of the GLF Exchange. I always remember that when we received our final marks, my particular group got a C; but within the next five years, the board of directors of the association had adopted just about every suggestion we made, so I felt a little bit better. But anyway, we all passed.

I was plenty busy, as you can imagine, with twenty-four hours. I was running the dishwashing machine in the cafeteria at Cornell at the same time, four hours every afternoon, so I really didn't have time for any extra-curricular activities.

VI. FIRST EXPERIENCES WITH COOPERATIVE MARKETING

What were your plans for the future, following graduation?

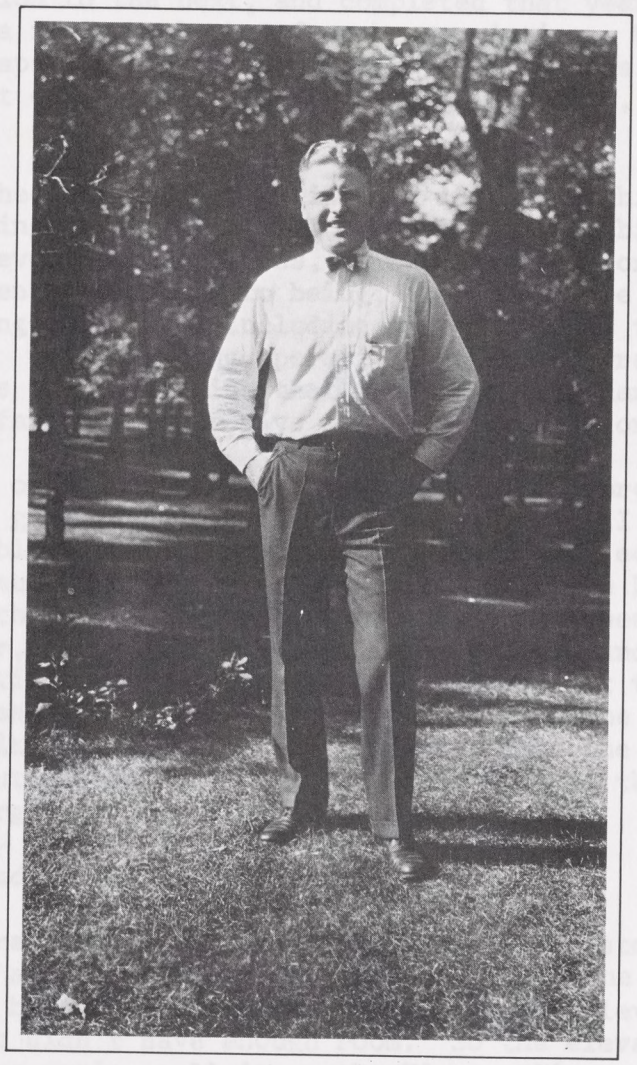
Well, when I finished up with all of the courses in September of 1922, I went to work that very day for the GLF Exchange as a field organizer. By this time, Professor Babcock had become the General Manager of this farmers buying association, and he simply hired me on the spot as soon as I was available. I spent the next twelve or thirteen months helping to organize this association, and my job was to call on the dairy farmers in the southern tier of counties in New York, the northern tier of counties in Pennsylvania, and the northern tier of counties in New Jersey, getting them to join the association by buying twenty-five dollars worth of stock.

Starting in the west, I worked my way east, until when I finished up in September of 1923 I was just outside of New York City, in the state of New Jersey. Then I was asked to go over the same territory again and to take orders for the new type of dairy feed that the association was putting out. So I held a series of twelve or fourteen meetings across that area, taking orders for dairy feed. I think I sold 160,000 tons of dairy feed for the association. And just about the time that job was finished, I got a telephone call from Babcock asking me to go to New York to meet the chief of the Division of Cooperative Marketing of the U.S.D.A. He said they wanted to talk with me.

Who did you speak with there?

Andrew W. McKay, who was the chief of the Division of Cooperative Marketing, U.S.D.A. I spent about two hours with him, and he explained the work they wanted me to do. It sounded good to me and it was a better job than I had, so I told McKay that I would take it.

I moved to Washington, D.C. late in September-October 1923. The first job I had with the Division of Cooperative Marketing was to revise a bulletin that McKay had already written some years before on the cooperative marketing of fruits and vegetables, particularly in the eastern part of the country. After that job was finished, they asked me to make a study of the marketing of grain in the spring-wheat area of the United States— northwestern Minnesota, North and South Dakota, and Montana. I spent some time in the spring of 1924 looking over the situation, and prepared a plan which was approved and put into operation immediately.



Bill Kuhrt when he was Assistant Agricultural Economist for the United States Department of Agriculture (1925).

I began a study of about 100 of the best farmers cooperative grain elevators associations in those four states. The study was carried out in cooperation with the marketing departments of the four agricultural colleges in Minnesota, North and South Dakota and Montana, and was scheduled to cover a five-year period. Each year we traveled all summer long from one elevator association to the next, and completed that year's job of taking the necessary data from the books of each association. We finished up in the fall, perhaps the last of September. Since I was the leader in this work, I carried it on personally in the years 1924-1925, 1925-1926, and 1926-1927.

I had finished the field work in late 1927 when things began happening in Washington, which I will mention a little bit later. In studying these elevator associations, we studied their organization, that is, how they happened to come into being; how they were financed; their methods of handling of grains, including stored grain; their buying and selling of grain; their hedging operations, that is, grain futures to protect themselves on the margins that they had; and many other normal functions of the farmers cooperative elevator associations.

These sorts of things had never been studied before by the U.S.D.A. in Washington. A great deal of the material was new. I remember having to do a considerable amount of arguing with one of the editors for the Bureau of Agricultural Economics in Washington over the hedging of storage grain. Normally the farmers elevators would buy the wheat from the farmer, load it into a car, ship it to Minneapolis or Duluth, and sell it there. The hedging operation occurred when the elevator bought the grain from the farmer and then sold a thousand bushel future on the grain exchange. Then when the grain reached the market and they sold the actual grain, they bought the future back. That procedure protected their five or six cents a bushel margin.

What was the procedure with storage grain?

Now, the storage grain was quite different. The storage grain came into the elevator and a storage ticket was issued to the farmer. It was not bought by the elevator associations. The elevator could not hold it because it didn't have enough room. So the elevator manager would load up the storage grain, sell it on the Minneapolis exchange or to Duluth grain trade, and then when he sold the actual grain he bought the future in equivalent amounts. But when the farmer came in and sold his storage tickets to the elevator, the elevator had to buy the equivalent amount of the future to balance the two of them. It was exactly the opposite of the way they handled cash grain.

Well, when I wrote that up, the editor for the Bureau of Agricultural Economics tore the whole section out. He said, "This man doesn't know his grain marketing," and he sent it back to me. It was necessary for me to bring it to a conference, with the head of the Grain Futures Administration in Washington. He listened to the editor, whose name was S.W. Mendum. Mendum was very set and thought he knew exactly what would be correct—which he didn't.

He told the head of the Grain Futures Administration what I had written. When he had finished, this man said, "Well, what's wrong with that? That's the way they do it." The conference ended right there. It was one of the funniest things I think I ever went through in my life. Later we had to reconstruct the copy of the bulletin that I had written because he had marked it all to pieces and made a lot of undesirable comments in the margins.

In addition to obtaining the above-mentioned data from the books of these farmers elevators, the bureau assigned us the task to find out whether or not a charge was true that had been made by certain people in some farmers' groups.

What kind of charge had been made?

The charge was that the managers of farmers elevators were speculating on the grain exchanges. When they bought grain they would sell a future, but they also might buy some more futures, more than they needed— that's what the claim was. They would just speculate and see if they couldn't make a few dollars. The claim was that if they made money on the futures, it was theirs, personally. If they lost money, it was the elevator association that lost the money.

How did you go about investigating this?

In order to get to the truth of the matter, it was necessary for us to select a group of farmers elevators whose data were adequate enough and about which some charges had been made. We had to take all of the purchases of actual grain and stored grain, and all of the purchases and sales of futures, and we had to relate them to each other day by day throughout the whole season, and make graphs to show the relationship between whether the elevator was short or long on the market and the possibility of there being speculation.

In order to accomplish this, which was a tremendous job of handling data, we had conference with Mordecai Ezekiel, who was a statistician with the department at the time, in the Bureau of Agricultural Economics. He was also an instructor in advanced statistical method for the department. I had been attending a course given by him in the department as often as I could, but I wasn't there all of the time. I called him in, and he brought in some electricians. Out of it all they prepared a box which was about two and a half to three feet long, and about two feet high, with a multitude of wires on it. They used this machine to run the balances of actual grain and purchases and sales of futures, day by day, throughout the year. Now, I think it was probably the first model of a computer that ever was made in the United States. It acted, if I can remember it correctly, something like a computer. Anyway, after they ran all the information through, we drew charts to show the exact position of the elevator each day of the season. This study showed conclusively that there was very little speculating.

Another part of the study that turned out to be of some value was that in comparing the prices received by an elevator association for grain from different parts of the area around the elevator, as well as prices received for grain from, let us say, the Red River Valley of Minnesota and North Dakota, with prices received for wheat in the drier sections of Montana, we found that in some cases the flour mills were paying fairly substantial premiums for the wheat which they received from the drier regions. In fact, sometimes the elevator association would receive three or four cents a bushel premium for the wheat that came from one side of the elevator's area, but not for that which came from the other.

The question was asked by farmers, "How does that happen?" You don't get a uniform price in the market, but you do pay your farmers a uniform price based upon the current price on the Minneapolis or Duluth exchange. They said it had something to do with the baking quality of the wheat. In some cases, the premium amounted to as much as eight or ten cents a bushel. We had a bakery division in the U.S.D.A. in Washington. I talked it over with them, and they said the difference was in the protein, or gluten content of the wheat. The higher the gluten content of the wheat, the higher its baking quality. They said it would be very interesting to get some information on this, and asked me if I could do it.

I said, "Well, if you can furnish some little sacks, I can get the elevator managers to fill them and make a note just where they got the wheat in their own areas. We'll have these samples sent in to you, and you can run them and figure out how much of a variation there is between the wheat produced on the moister lowlands, and the wheat that is produced on the drylands, the mesas."

So that was set up— I think it was in the fall of 1926. There were several hundred sacks of wheat shipped into the baking laboratory. It was surprising to see the results. The mills had said that they would like very much to have 11.8 percent protein content, or gluten content, as they called it. That was the bread mix that they wanted. But the wheat ran from about 11 percent up to as high as 17.5 percent protein.

What were the consequences of this study?

This material was put together and published as a bulletin of the U.S. Department of Agriculture in 1926 or 1927. In the next year, the state of Minnesota passed a law requiring that all wheat sold on the grain exchanges in the state would have to have a test for protein content, and that the test must be placed in the same sample of grain that the federal grade for wheat was established in. The net effect of this issue was to widen the premiums that were paid by the mills. The discounts on wheat that ran a little below the 11.8 percent protein content might be three or four cents a bushel. But in one case, I saw a premium of 27 cents a bushel for wheat that was produced at Denton, Montana.

While this work was done, and while working with the College of Agriculture at the University of Minnesota during those years, I became interested in taking some graduate work. So I began taking two quarters

of graduate work, in the fall and spring of 1924-25, 1925-26, and 1926-27. Altogether I took six quarters of graduate work in general economics, agricultural marketing and statistics, cost accounting, and all kinds of related subjects.

Where were those taken?

At the University of Minnesota, mostly on the agricultural campus in St. Paul, but to some extent on the main university campus in Minneapolis. I finished the Master of Arts degree in 1926, but I continued in 1926-27 with more coursework toward the Ph.D. degree.

Were you living in Minnesota then?

Yes, I still had my connection with the department in Washington, but they gave me a leave of absence for these two quarters each year. Of course I had to live on campus in each of those three years while taking the graduate work. It didn't make too much difference because in the summertime, starting about the first of April, as soon as the road could be used in Minnesota and the Dakotas, I would be on the road in a car, driving from one farmers elevator to another. Each year I spent one or two months in the fall helping to organize the material and get the staff going in Washington so that they could take over during the winter and do the statistical work. Then in the spring, before I went into the field, I spent another month or two writing up the material and getting it ready for publication. That's the way we worked it.

Didn't your marriage to Dorothy More take place during this time?

Just shortly after I started to work in 1927, I was married to Dorothy More of Fargo, North Dakota. She was a graduate of the University of Minnesota in education. She got her degree in 1926, the same time I got my Masters degree. She traveled with me that first summer to a considerable extent as we went from one farmers elevator to another, but it was pretty rugged. Many of the hotels were undesirable. We had camping equipment, but that also was a little bit too rugged. In the late fall of 1927 when I went back to help put the data in shape for analysis, the people in the Bureau indicated that they thought I would be needed in Washington from that time on and that I shouldn't plan to do any more graduate work. They also suggested that I get someone else to take over the immediate handling of the study of farmers elevators— and that's precisely what happened.

VII. THE FEDERAL FARM BOARD

How did your involvement with the Federal Farm Board come about?

In 1928, Congress passed the Federal Farm Board Act, which provided for the President to appoint a Farm Board of around fifteen members, one to represent each of the major commodities, such as fruits and vegetables, cotton, tobacco, grain, and so forth. Almost immediately after the Farm Board became effective, my division, the Division of Cooperative Marketing, was transferred to the Federal Farm Board.

I was given the job of Chief of the Grain Section of the Federal Farm Board. The Farm Board had $500 million from Congress to help foster cooperative marketing for all kinds of farm products throughout the United States. I was given the job of helping to organize farmers cooperative marketing associations wherever the farmers wanted to do that. Also, I had the job of assisting those grain marketing associations that were already operating. In helping to develop new associations, the first job I had was to draft the articles of incorporation and the bylaws for a national organization that they were calling the Farmers National Grain Corporation. This organization was to have headquarters in Chicago and was to have as its members, regional grain marketing associations from the various grain producing areas of the United States.

After that group was organized, I had the job of drafting articles of incorporation and bylaws for a number of these associations. This included the Illinois Grain Corporation, with headquarters in Chicago; the Northwest Grain Association, with headquarters in Minneapolis, which covered the spring wheat states; and the Farmers West Central Grain Corporation, which covered mostly Nebraska, with headquarters at Grand Island, Nebraska. Then there was another association set up in Kansas and Colorado to handle wheat. I believe the last one I worked on was called the North Pacific Grain Growers, with headquarters in Spokane.

Before we go further with the Farm Board, this might be a good time to tell us more about your romance with Dorothy More. That's got to be in the picture here. You just mentioned her briefly.

Well, Dorothy and I went to Washington in the fall of 1927, and got ourselves an apartment.

Go back to when you first met her, who her folks were, and so forth.

Well, I met her at a reception that was given by the president of the North Dakota State Agricultural College in Fargo for 1926 graduates. She was

included as one of the guests having just graduated from the University of Minnesota, specializing in education. I happened to be invited to the same party because I knew the president of the North Dakota State Agricultural College quite well, and he and I traveled together somewhat. He was interested in developing what he called a corn and hog program for farmers in North Dakota. The hogs grew all right in North Dakota, but the corn had a way of freezing around the first to the tenth of September, so it didn't work out too well. Anyway, I had traveled with him two or three years and he invited me as one of the guests.

After I got acquainted with Dorothy at the reception, I began seeing her from that time on. Her folks lived in Fargo, where her father had been in the farm machinery business for many years with his brother. At one time they made a tremendous amount of money shipping out farm machinery, particularly Hart-Parr tractors. These were great big high machines. You had to whirl the wheel to turn the front wheels. But they traveled at four miles an hour, whereas the other makes traveledat three miles an hour. Anyway, he and his brother shipped trainloads of these Hart-Parr tractors out to the western part of North Dakota when they were opening up new lands for wheat. They made a lot of money. Then he got into the automobile business in Fargo, and he eventually got involved in politics. He bought a newspaper, and the fortunes didn't hold up because some of those things were not nearly as profitable. Then they had a very unfortunate accident.

They had a big two-story machinery building right on the Northern Pacific tracks. Some of the grain dealers needed storage space, so they rented the upper floor of this building, without its having been inspected, to store grain. They still used the lower floor to set up farm machinery. They put in about seven to eight feet of grain in this upper floor. Then one day when they had five men working down below, the whole thing collapsed and all five of the men were killed, including his own brother. The job of making settlements just about cleaned out the family fortunes. But anyway, they had enough money to continue.

What was her father's name?

Alexander Yule More. They called him "A.Y." Dorothy had three brothers and two sisters. One sister was older and one was younger. The brothers were engaged in all kinds of things. One was in the real estate business with his father in Fargo. Another was the manager of a stationery store in Fargo, then Minot, and finally Williston, North Dakota. Another one got into the used car business in Minneapolis. They were scattered around, all kinds of places.

You met her at this reception, then what?

This was in 1926....

I think Don wants to know what you did that night.

This was a very, very reserved affair, as you can imagine, at the home of the president of the North Dakota State Agricultural College. Afterward

I just kept in touch with her. I was still taking some graduate work during 1926-27. I didn't see her too much because she was on the main campus, and I was on the farm campus and pretty busy. I did see her though, once or twice, didn't have much money to spend. But anyway, I kept in touch with her. She graduated in June 1926 and she got a job teaching English and history at Hettinger, North Dakota, in the high school. I did stop off there once when I was going on through west, still with the bureau. I think I spent a Saturday, then I had to go on farther west. We were married in June, the ninth of June, 1927.

Where?

In the Presbyterian church in Fargo, North Dakota. This was a very pleasant association with her for forty-three years. Unfortunately we never had any children that lived. We had two children, one in Washington, D.C. and one in Minneapolis, Minnesota. They were both dead on the day of birth. Nobody knew at the time what the problem was. It turned out to be the blood factor, Rh blood factor. If anyone had known at the time, it probably could have been corrected, but the last child was carried almost three weeks too long. Measures had to be taken, but by that time it was too late. So, it was a great tragedy.

We both loved children— I have 19 nieces and nephews scattered throughout the country and always have gotten along well with kids, no problem at all. Everywhere I have lived I have had a bunch of kids around. Anyway, nothing could be done, so while I was busy with my work, Dorothy became interested in various women's organizations. This was true wherever we lived, but especially after we came here to Sacramento. She became president of the Women's Forum, which I think had 1,500 active members. She was president of her sorority, she was active in the church, the Pioneer Congregational Church, right until the last. It was a very fine association, no problems of any kind.

May we go back to the Federal Farm Board?

Somewhere in here you want me to say what happened to the study of the speculating charges against the managers. Well, the techniques that were used proved to be very accurate. It was possible to plot the position of the elevator manager with regard to actual grain and futures. That would indicate the position whether he was long or short on the market. We found very little to substantiate the charges. There were times when the elevator might be three to four thousand bushels long or short, or whatever, but it didn't have any relationship to what might be termed the trend of the market at that time— it was just a happenstance where he had not gotten around to sell or hadn't gotten to buy. So the charges simply were not substantiated.

That becomes quite important because there were people in that area, some of them associated with what they called a Nonpartisan League which prevailed throughout Minnesota and the Dakotas and Montana, who wanted to do away with the farmers elevator system almost entirely and put it on some other basis. It was one of their people who had made the charges and

apparently had sent them in to the department in Washington. That's part of the reason why I was doing this particular phase of the study, but it didn't pan out as they said.

Can you tell us a little bit more about the act that created the Federal Farm Board? Just what was the Federal Farm Board? What was its purpose?

The act was passed in 1928 by Congress, and it was signed by the President immediately. The Board itself was made up of about fifteen members, each one representing a particular type of farm product or grouping of farm products. The Board was given $500 million with the instructions to do everything that it could to assist farmers throughout the United States in the development of new farmers cooperative marketing associations and to help strengthen those that were already operating.

What was the reason for the act? Were farmers in trouble at the time?

Farmers were in trouble, but they were not in as much trouble at that particular time as they were a few years later. That is, as the depression began, things became very critical. But there was a great deal of interest that developed in cooperative marketing. You see, farmers had had marketing problems for a good many years, which accounts for the fact that they had begun to organize farmers cooperative associations way back in the 1890s.

Cooperative marketing as well as bargaining?

The GLF was a buying association, not a bargaining association. That was a brand new idea to have a cooperative buying association.

The marketing associations idea started before that, then?

The marketing associations had begun to be formed as early as the 1890s and several were formed from 1900 to 1920. Among these were some of those that still exist, like the California Fruit Growers Exchange— that would be Sunkist, the California Walnut Growers Association, the Dairymen's League in New York, Land of Lakes Creamery in Minnesota, and many others that were formed in those early days before 1920. I don't know the exact dates but those of us who were in the Bureau and in the Division of Cooperative Marketing were familiar with the operations of all of these cooperative associations.

You mentioned the Bureau and the Division of Cooperative Marketing. Are they one and the same thing?

No. The Bureau was the Bureau of Agricultural Economics. It's the reverse of the nomenclature which is used here in the state. The Bureau was the larger agency. It was one of the bureaus of the United States Department of Agriculture and it contained a number of divisions of which the Division of Cooperative Marketing was one.

The function of our division was simply to work with the cooperative associations. We didn't work generally with the grain grading work— they

called that the grain division. Then there was the grain futures division which supervised the future trading on the exchanges. There was also the cotton division, the tobacco division, and the dairy division. All the different products had divisions and they also had a statistical division. I think that Mordecai Ezekiel was in charge of that. They were trying to develop means of forecasting the prices for various farm products. I recall sometime in 1927 they forecasted that the price of cotton would be about 10 cents a pound lower than what it had been for some time. The market promptly cooperated and the price went down to the level that they calculated. Then the Congress passed a law forbidding the department to forecast the prices of any more products by such techniques.

Was the Federal Farm Board jurisdiction or operation in which you involved in the Bureau or the Cooperative Division?

Neither one. The Federal Farm Board was a separate agency that was set up by itself. You might call it the Federal Farm Board agency. Sometime in 1928, the Federal Farm Board took the Division of Cooperative Marketing out of the Bureau of Agricultural Economics, and took it over as one of the agencies to help it function. In doing so, they took over the various sections of the Division of Cooperative Marketing. One was on grain. I mentioned the fact that I was made the chief of the Grain Section. Another one was on dairy products; Hutzel Metzger was in charge of that. Another was on cotton, another on tobacco and so on down the line. So in taking over the Division of Cooperative Marketing, the Federal Farm Board brought in the men who were experienced in the cooperative marketing of each of those various groups of products.

They took them right outside of the U.S.D.A.?

They took them out of the U.S.D.A.

And into an independent agency?

That's right.

And it was sometime later as an independent agency that it was integrated back into the U.S.D.A.?

I'll tell you about it later. Those first days with the Federal Farm Board were pretty hectic because before they got started the mail had started to come in and they had no regular offices. They took over three floors of the Mayflower Hotel in Washington, D.C., and my first job was in three bedrooms in the Mayflower Hotel with three secretaries.

One in each bedroom?

One in each bedroom with a stack of mail on top of the desk at least a foot high. I don't know why you gentlemen are laughing, because it was no laughing matter! But anyway, here I had the job of reading letters that had been coming in for the past three months and trying to reply to those letters,

and keeping these three girls typing letters. I would go in the morning and read a letter just to get a notion of what it was about, dictate a short reply, and then go on to the next one. I just kept that going all of the time for at least two or three months.

Those early years with the Federal Farm Board were very interesting and stimulating. After that, I completed the work of organizing the Farmers National Grain Corporation and various regional associations, which were federations of local cooperative marketing associations of grain.

VIII. THE NORTHWEST GRAIN ASSOCIATION

How did you become involved with the Northwest Grain Association?

In February of 1930, I got a call from the president of the Northwest Grain Association in Minneapolis. I had helped to organize that association, to get it started. They asked me if I would take the job as general manager of the association. They gave me a figure which was just about twice what I was making with the department on a three year contract that stepped up to pretty near three times what I was making. Well, I couldn't refuse it. I had drawn up the papers of the association and knew what the score was, and I knew the spring wheat area. I knew the managers of many of these local farmers associations— I had worked with them for years. So I took the job, and Dorothy and I moved to Minneapolis.

What kind of money was that?

The beginning salary was $10,000. The next year was $12,500 and the last year was $15,000.

That was a lot of money.

Compared to $5,400 which I was making with the Department, yes. You can see why I left. The whole thing was a good, clean type of organization. It was the kind of thing that I believed in because it was an organization which was built up on the basis of local farmers cooperative elevator associations which had been in operation for many years. Then they were to be federated together into making the Northwest Grain Association in Minneapolis. When I completed this outline of what was to be done, I talked it over with C.C. Teague, who was the president of Sunkist at the time. He was wholeheartedly in favor of that type of thing, as he would have been, because that is the way Sunkist had been set up. I understand that he had made a speech before the Federal Farm Board commending me for the plan that I had for Northwest Grain.

I emphasize this because of something which happened later. I went to Minneapolis and immediately began setting it up. We had one main office, 600 Flour Exchange; we had a branch office in Duluth and branch offices in Sioux Falls, South Dakota and Great Falls, Montana. We had memberships on the Minneapolis Chamber of Commerce and the Duluth Board of Trade. We had the grain men who could handle the grain and futures sales, and field men to work with the local farmers associations. By the next fall, we had brought into the organization 146 of some of the very best farmers

cooperative elevators in that whole area. The Association covered the whole spring wheat area way out into Great Falls, Montana. The year previous to that we had handled about 11 million bushels of grain. We made something like $31,000 profit, which was pretty good for the very first year. But we did the financing. You see, many of the elevator associations had been with private commission firms in Minneapolis or Duluth. They held mortgages on the cooperative elevator plants, so in order for these associations to come and join us they had to get relieved of those mortgages. So we borrowed money. I think it was $546,000 through Farmers National Grain Corporation, the Federal Farm Board, to pay off the commission firms, and then these associations could come over and join our group.

What was the name of your group again?

Northwest Grain Association.

Which is a federation of cooperatives?

Yes— of local farmers cooperative elevator associations. I don't remember how many farmers were involved— I recall around 14,000 farmers— but each one had somewhere between 100 and 300 members, that is, farmer members. They bought the grain from the members on the regular market price as quoted to them every morning from Minneapolis and Duluth, and they handled the storage grain the same way as I explained earlier.

What were the grain commodities? Wheat and corn, or just wheat?

Wheat. Northwest Grain was in a situation where wheat was the largest one. You see, wheat in that area is divided into two different kinds. One is bread wheat. The other is macaroni wheat, durum wheat, which is grown in the northwest corner of North Dakota from Grand Forks west for about 200 miles from there to the Canadian border. That's where the durum wheat is produced.

Durum wheat will not make bread. It has high protein, but the gluten is brittle and as it rises it breaks and falls down again. The gluten of bread, on the other hand, keeps rising and holds and stretches. And that's why you have a loaf of bread. But the protein was just about as high in durum wheat as the other. But to answer your question, the biggest thing was wheat, then rye, flax and then sometimes a little barley, sometimes a little corn, but hardly anything else. Wheat, rye, flax: those were our main products and those three grains were produced pretty much all through Minnesota and the Dakotas, but mostly wheat in Montana.

By the fall of 1931, Northwest Grain was prospering. We were getting all of the grain, marketing the grain, selling the grain for 146 elevators. Also, some volunteer grain that came from others that weren't affiliated with us. We had already started to handle the 1931 crop of grain. We had, as I said, loaned out on these elevator associations on their plants. We called them facility loans, $546,000, and we had already borrowed for current operating expenses on an open account a little more than three million dollars.

This would be balanced out as fast as the grain was bought and sold and that kept on, and then it would be washed out at the end of the year, end of the season. So we were going very, very nicely. There were some 27 of these regional organizations, some had already been set up similar to Northwest Grain some years before, but not any in the spring wheat area. Some were on another basis called wheat pools, where the grain farmers were members directly into the selling organization. There was no local facility of any kind, no local association. There were such pools in Kansas, South Dakota, North Dakota and Minnesota.

Also there was the big wheat pooling organization in Canada. This Canadian operation was looked upon as a sort of an especially successful operation. It was totally different from the way in which we operated in the Northwest Grain Association. Our association was a federation of local farmers cooperative elevator associations. The local associations bought the grain from the farmers, or stored it for a period of time. They then loaded it into cars and shipped it to Minneapolis or Duluth, where it was sold on the regular grain exchange. The local association took a margin of four or five cents per bushel to cover their costs of operation. When they joined with Northwest Grain Association, they simply continued to operate in the same way except they shipped the grain in carload lots to Northwest Grain, either in Minneapolis or Duluth, and our grain salesmen who operated on the grain exchanges sold the grain and reported back to the local elevators.

What was the role of the Northwest Grain Association?

Our function at that particular moment, as far as financing was concerned, was that we borrowed the money from the Farmers National Grain Corporation which in turn had borrowed the money from the Federal Farm Board. We furnished to each of the member local farmers elevator associations such amounts of operating capital as they might need to buy grain from farmers. At the end of the season, we reimbursed the Farmers National Grain Corporation for the money that we had borrowed from them. That is what we had done in the first season and it worked out very well.

We had two memberships on the Minneapolis Chamber of Commerce, which was the regular grain exchange, and two seats on the Duluth Board of Trade. We operated in accordance with the rules of these two grain exchanges. We had no problem at all with any of their rules. They allowed us to operate the same as anybody else. We operated on that basis all through 1931 and we were just going into the 1931 grain marketing season, the fall of 1931. We had borrowed about three million dollars from the Farmers National Grain Corporation.

Was that a government corporation?

No, it was set up by the Federal Farm Board and the Federal Farm Board was an agency of the federal government. But the Farmers National Grain Corporation was a cooperative association set up along general lines

under the laws of the state of Delaware. So the Farmers National Grain Corporation itself was not a federal agency, although it worked directly with the Federal Farm Board. Anyway, by the fall of 1931 we had, if I remember correctly, 146 farmers cooperative elevator associations that had become members. They were buying stock in the Northwest Grain Association on the basis of one cent per bushel of all the grain which each one shipped or sold through Northwest Grain. This money was applied toward the purchase of stock in Northwest Grain. We also had borrowed $546,000 from the Farmers National Grain Corporation to make it possible for the local farmers elevators to join our association. They owed the private commercial grain commission firms in both Minneapolis and Duluth, which had loaned money on their elevator properties. I reiterate that because it became very important in the days to come. We were making great plans for the 1931-32 season of marketing. Everything seemed to be in fine shape. We had made, I think, $31,000 net profit in the first year and we had hoped to make a great deal more than that in the next season.

What happened?

Suddenly, on a Monday morning in late September, a reporter from the Minneapolis Tribune called me and said, "Are you aware of the fact that you are going to be taken over by the Farmers National Grain Corporation?" I said, "I don't know anything about it, that's the first I've heard." He said, "Well, there's a story that has just come out of Chicago that the president of Farmers National Grain Corporation, C.E. Huff, will be in Minneapolis this morning to take over Northwest Grain." I said, "Well, I don't know anything about it, this is news to me."

So, sure enough, it appeared in the paper, a big long article in the Minneapolis Tribune. Then about 9:00, Huff called me and said, "I need to talk with you." I said, "Well fine, come on over." So he came over and said, "I am authorized by a resolution of the Federal Farm Board for the Farmers National Grain Corporation to take over all of the twenty-seven regional grain marketing associations which are affiliated with Farmers National Grain Corporation. What is your position?" I said, "Well, I don't know anything about our position because this is news to me. Anyway, such a decision would have to be made by our board of directors."

I called our president and told him the situation. He authorized me, or instructed me, to call a meeting of our board of directors— twenty-six directors scattered over the states of Minnesota, North and South Dakota and Montana— for the second day following, to meet with Huff to hear his story.

On that day Huff explained the situation. He said that the Federal Farm Board and the Farmers National Grain Corporation were taking over all of the regional associations because the Farm Board had come to the conclusion that if they were going to in any way influence or hold up the price of wheat, it would be necessary for all of the regional organizations to be in one organization. The Board met, talked the thing over, and voted unanimously "No". They would not turn over Northwest Grain to the Farmers

National Grain Corporation. Then Mr. Huff showed his teeth and said, "Well, I'm sorry, under the circumstances we'll have to take you over, because I am instructed to take you over even if you don't come along willingly."

What could your association do under the circumstances?

The Board instructed me to see what I could do to refinance Northwest Grain Association. I got in touch with the First National Bank of Minneapolis and in about three or four hours they agreed to take over the three million dollars, or whatever, for operating capital. Then I said, "Well, what about the $546,000 loaned on farmers elevator properties?" He said, "Oh, that poses another problem. We commercial banks in Minnesota are not permitted to loan money on properties of that character, but I'll tell you what I'll do. I'll fly to New York and take it up with some of the big national insurance companies. They very often will do that." He did so, but he wired back after the second day and, because of the depression which was striking at the time, the insurance companies were not interested in loaning any money on farmers elevators properties, especially in the spring wheat area.

So we finally had to tell Huff that we couldn't raise the money, and they took us over. They took over not only Northwest Grain, but some of the regional associations also went along willingly. Some had not borrowed any money at all, like the North Pacific Grain Growers, which I had organized. So they were not taken over. But wherever they had borrowed money and couldn't raise the money, the Farmers National Grain Corporation took them over, lock, stock and barrel, everything.

What happened to you?

I was able to renegotiate my contract as general manager of Northwest Grain, so it want on another year and a half, until the end of the period.

What happened to the local associations that had joined Northwest Grain Association?

We arranged for a caretaker to continue the operation until Farmers National could put someone in as manager for the branch, as they were going to call it, and I left. It was, of course, a very great discouragement to me to have a perfectly sound cooperative association ruined by that procedure, but it actually was. National Grain Corporation went broke two years later, and the federal government lost $14 million. I learned later that most of the member elevators went back to the old private commission firms. A few of them went over to the Farmers Union Terminal Association, but the organization simply broke up completely.

What did you do then?

Personally, as I said, I was very much discouraged. I spent a couple of weeks fishing up in the northern lakes of Minnesota. Then my wife and I went back to western New York and picked grapes for my father for a couple

of weeks; went on to Washington, had a minor operation at Walter Reed Hospital; went on to north Florida, Saint Augustine, where I had a brother; then on to Miami. My wife and I rented an apartment there for $45 a month right on Biscayne Bay, right in the middle of the depression. Of course, I don't know what the rate would be now, but we had this apartment and we just took it easy, did some swimming and resting; I needed it, I can tell you. I came very close to buying one half of the Miami Beach property. I was swimming there one day when a fellow came up and offered me one half of Miami Beach for $10,000. I looked it over and I could only see that you could probably grow early potatoes on it; I couldn't see any other values on the thing because it was just nothing but sand and scrub brush. He showed me the deed and offered to go to the recorder if I could dig up the $10,000, he said he was very badly in need of money. But I finally turned him down. Seems a little shortsighted, doesn't it?

After the month was over, you returned to Washington?

Yes. My wife and I went back to Washington and I substituted for my old friend Andrew W. McKay on a teaching job. He was teaching a class at American University in cooperative marketing, and had to go out to the northwest. I taught cooperative marketing there for about three or four weeks until he got back. During that period of time I was considering going to Harvard to finish up my Ph.D. My former professor at the University of Minnesota, Dr. John D. Black, had moved to Harvard and wired me his approval. I lacked just one year of work for the Ph.D. degree, but somehow or another, it didn't seem to appeal to me very strongly.

In the meantime I had a couple of offers: one from Oregon State at Corvallis, in the Marketing Department; and one from California. My old friend Dr. Theodore Macklin, who was in California as chief of the Bureau of Marketing, offered a job as a marketing specialist to make a study of milk marketing conditions in the state of California, particularly in the San Francisco area. I finally decided to accept the job that was offered in California. I guess perhaps it was kind of a cold winter back in Washington anyway, and going out to California sort of appealed to me under the circumstances.

IX. TO CALIFORNIA AS A MARKETING SPECIALIST

Did you leave for California right away?

My wife and I drove back to Minneapolis and made some arrangements there for the household goods. Then we drove out to California and got here on the 30th day of March, 1932. I reported in tc the main office of the Bureau of Markets, which was in San Francisco at that time. Well, there I learned that the resources of the Bureau were pretty limited. They had a chief, Dr. Theodore Macklin. And the stenographer.

Was this an agency of the California Department of Agriculture?

Yes. This Bureau of Markets was part of the department, but had its office in the Agriculture Building next to the Ferry Building in San Francisco. But they just had the chief and one girl. That was the size of the Bureau at that time. Also, I learned that the task was to study the cost of production and distribution of milk in the San Francisco milk marketing area. I began this work immediately, let's say the first of April 1932. I also discussed the situation with Dr. Tolley, who was head of the Giannini Foundation at the University of California, Berkeley.

Was the Gianninni Foundation part of the University of California?

Yes, the University of California. There appeared to be not too friendly relations between the Giannini Foundation on the one hand, and marketing work in the California Department of Agriculture. I had known Tolley in Washington on a very friendly basis, but after I got out here and he found out that I was working for the California Department of Agriculture, he said, "Oh, that's too bad, I'm sorry you didn't get in touch with me before you came out here." It was an unfortunate situation, but it had no lasting effect upon my work or my relations.

Did you ever find out what the reason for his bias was?

Well, it was partly a bias between himself and Dr. Macklin. Also, the Giannini Foundation was not a bit happy about some of the activities which had been undertaken earlier by the Bureau of Markets. There seemed to be some thought that there was an infringement on their activities. But there had been very recently a sort of memorandum of understanding worked out between the Giannini Foundation and the Bureau of Markets. This delineated the functions and left the research work and the publication work to the university, as well as teaching. The administration and enforcement of

marketing legislation remained with the Department of Agriculture, which was the general arrangement that followed, and has followed since.

I undertook this study of the cost of production and distribution of milk in the San Francisco marketing area. I travelled in all directions from San Francisco with the manager of the San Francisco Milk Producers Association. We called on many farmers. Their records were not too good but it was possible to get some fairly good information with regard to production costs.

Who was that manager?

I think his name was McGovern, Frank McGovern.

Was that the same outfit that Skip Claudius had later?

Yes, this was called the San Francisco Milk Producers Association.

How did you proceed with this cost study?

We got the data together and then I proceeded to collect the data from milk distributing firms. I ran immediately into the Borden Cost Point System which they recommended pretty highly, but I was afraid to use it because it tended to lean a little too much toward a private organization. We came to the conclusion that we couldn't use it. That's when the cost accounting courses which I had taken at the University of Minnesota came into play. When we had to set up our own system of cost accounting not only for production, but also for distribution, the background that I had obtained on cost accounting at the University of Minnesota became very useful.

What was the purpose of wanting to develop the costs of production and distribution?

There was a feeling that the only solid basis that could be used for bargaining and for straightening out the problems that were developing in milk marketing, both on the production side and on the distribution side, would have to be based somewhat in relation to costs. Costs would be something that would be informative. Otherwise, the milk industry was out in an open field with no guidelines of any kind to indicate what should be a proper basis for pricing of fluid milk being sold by the farmers to distributors and pricing to wholesale and retail distributors.

I worked out the costing plans and started the work on developing the cost of production and the cost of distribution in the San Francisco area. I was working on it as fast as I could. One little side issue was that I had asked the state Department of Agriculture to furnish me with a calculator. I had found a used Monroe calculator somewhere along Market Street in San Francisco, and I was accustomed to using it. I put in a request to buy one and was told by the head of the accounting department in Sacramento that there was no basis for buying anything that expensive. He said that I could do the work by hand because there wasn't that much work.

Apparently he had little knowledge of the amount of calculating that was involved.

Who was the Accounting Officer?

H.W. Levers. He worked very closely with the then director of agriculture. When I first came to California in the first few months, James Rolph was the governor and Dudley Moulton was the director of agriculture. The determination which they had made in Sacramento, namely that I didn't need a calculator, was ridiculous because the volume of figures which I had accumulated, both on production and distribution costs, was such that it would have taken me a very long time to handle it.

So Dr. Macklin and I went to Sacramento and had a showdown with Mr. Levers on this proposition. He simply wouldn't give ground, so then we went to the director. I had brought along some of the data to give him an idea of the volume of the calculations that needed to be done. In the end we succeeded in getting approval, but we had a limitation on the amount of money we could spend. But this was adequate to buy that used calculator that I had located on Market Street in San Francisco. Anyway, I got the machine and I went to work.

Did you finish this work?

No. I was making good progress by the end of June in that year (1932). In the first week of July 1932, we began hearing rumors of a very great and disturbing situation developing in the Los Angeles milk marketing area. It was being covered by all of the newspapers and there actually was a war going on between the milk producers and the milk distributors. Also, there was a war going on between the distributors among themselves, and something of a war going on between the producer-distributors and the distributors.

When you say war, what would be the nature of the war?

Well, there was a great disagreement about milk prices, prices being paid by the distributors to the bulk milk producers.

By war, do you mean price cutting?

Price cutting, yes, but there were constant meetings and the disagreement got so bad that the farmers were tipping over milk trucks into the ditch and there was a great fear of violence, shooting and otherwise. There had been a good deal already, a good deal of beatings and violence of various kinds in the Los Angeles area.

It isn't clear to me. What are the issues in conflict? Why were they fighting?

Well, I think it would be better if I held that back a little because I was still in San Francisco. But we were told and advised that it was a very bad situation developing in Los Angeles, and the word came out that the

governor had been requested to call out the National Guard in order to keep the peace and stop the trouble. I don't know just what went on in Sacramento, but along the fifth or sixth of July I got a call from the chief of the Bureau, and he said they wanted somebody from the Bureau to go down to Los Angeles and see what could be done to stop the milk war down there. Dr. Macklin said to me, "Will you go?" and I said, "Well, I don't know what I can do about the milk war, but I can at least find out what's going on." So about the sixth or seventh of July 1932, I caught a plane from San Francisco to Los Angeles.

What did you do to stop the milk war?

I called in the leadership of the milk producers. We were working out of the State Building there. The Bureau of Markets had no offices in the State Building, but the state official in charge there gave me the use of a conference room. I called in the representatives of all the producer associations one day and tried to find out as much as I could from them as to what the problems were. In a day or so, I called in the representatives of the distributors and got their side of the picture. I found out very quickly that the main problem had come about because there was a great deal of milk from individual producers that had no one to buy it. Producers had been put into business by banks and finance companies without their having any contract with a distributor. So, of course, in the anxiety of such a producer finding a place for his milk, he was willing to sell the milk for a lower price than what had generally been established for most of the other producers. That so-called "loose milk" getting into the hands of some of the distributors made it possible for those distributors in turn to cut the prices of milk which they were delivering to the homes and, to some extent, the stores.

We must keep in mind that at that time, July of 1932, about 65 percent of all of the milk being distributed to consumers in the Los Angeles area was delivered to the homes; it was what we call home delivery. However, only about 30 or 35 percent was being handled through the stores.

That was before milk cartons. It was all sold in bottles then?

Oh yes, they used quart and pint milk bottles. Of course the milk was being pasteurized; that is, most of the milk was being pasteurized. But there was a very favorable state and county arrangement for raw milk. In the Los Angeles area, there was actually a raw milk producers association of something over 100 members who managed to maintain a much higher standard of sanitation in their dairies, and who were allowed to deliver their milk to the homes and stores without its being pasteurized.

If I understand you now, what you have been saying is that one of the basic dislocations was that for some reason or other we had an influx of producers into the market producing milk without an outlet. Therefore, we were starting out with an oversupply of milk for the area and thus there was price cutting between producers to find the market. Is that correct?

Yes. Price cutting between producers. And when they furnished this cheap milk to distributors, it allowed some of those distributors to cut prices below the prices that were maintained by distributors who were paying the regular price. The price, which had been in effect throughout this whole area for this period of time, was 55 cents per pound of milk fat. That was before milk was priced on the hundred-weight basis. The other prices were 8 1/2 cents per quart wholesale to the stores, 10 cents per quart out of the stores, and 11 cents per quart home delivered. Of course, there were some special milks with higher butterfat content for which they charged more, but that is the regular 3.7 percent butterfat milk, or 3.8, I guess it was.

Prices got down to a penny a quart. It dropped to a cent a quart for one day!

Let's go back, and you can tell us a little bit about the situation when you were formulating that marketing plan under the Arbitration Act and who the major players were at the time.

Well, there were seven producers on the Milk Arbitration Board, and also seven distributors. The manager of the California Milk Producers Association was Earl Maharg, and he was the most active. At the moment, I don't think of the names of any of the other producers, except perhaps Nels Lautrup. He was a member of the Board also. On the distributor side, there was Smoke Adamson, who represented Adohr Creameries; and Tom Day, who represented Golden State, which is now Foremost.

Where were Arden and Carnation?

Bill Stabler represented Arden at the time. Frank Flood was the representative of Carnation Company.

I believe Bordens was in the market at that time.

Yes. Ed Sullivan represented Bordens, but I don't believe that he was on the Board.

Was Tom Knudsen in the picture?

Tom Knudsen was a member of the Board. He represented, of course, his own company. Aaron Marcus represented a company in Pasadena, Crown City Dairies. I mentioned Aaron Marcus because later on, after the Federal Marketing Agreement and licensing had become effective, and after we found that the federal government was reluctant to enforce the license, Aaron Marcus, Earl Maharg and I were the committee of three that went to Washington to find out definitely from the General Counsel of the Agricultural Adjustment Administration as to whether or not they could enforce. It was quite a session. I will always remember the circumstances that occurred back there in Washington. But the Los Angeles Milk Arbitration Board was a good board. It worked well together. There wasn't any great amount of bickering among the members. We had frequent meetings, which were held in the State Building in Los Angeles.

Was Charlie Hibbert involved?

Yes. Charlie Hibbert represented Challenge.

This does not explain all of the tricks that were being played by various distributors to get customers away from one distributor and get them to deal with them; I must say that I learned of a good many sales gimmicks in the Los Angeles area that I had never even heard of. But I got this information clearly in my mind, and I had asked the representatives of the producers if they would agree to the original scheme of 55 cents per pound of milk fat, and they said they would. When I talked to the distributors they said they would agree to this, so together we drew up a contract under Section 1152(f) of the Food and Agricultural Code, which authorizes arbitration. We arbitrated an agreement that was to be signed by all producers and distributors in the Los Angeles market.

That was the state Agricultural Code?

That's right. The Agricultural Code of the State of California. We drew up that arrangement after consultation with the producers committee and the distributors committee. After it had been approved by these two committees, the agreement was taken out to all the producers and distributors, and every producer signed and every distributor signed, except for one. Pressure was brought to bear on him and he finally came in to see me. I said, "You will have to do something to assure your good will." He said, "I will sign over a $1000 bond to you personally if you hold it for me, and if I violate this agreement, I will turn the bond over to you."

Who was this?

Tony Aroni.

Is that the name of the company?

That was his name. He was a small operator, but it got to be kind of a joke, and I don't mean in any way to harm him because he kept his word. He and I got along just fine. But I thought it was a little unusual. He said he would not sign anything because he thought such an arrangement on prices was probably in violation of the law. (Incidentally, it was.)

What do you expect the transcriber to do with that?

Put it on the record. This was thirty years ago. I'm not worried about anything that long ago. The action and support of all the producers and distributors in the Los Angeles market was excellent. The agreement also provided for the establishment of the Los Angeles Milk Arbitration Board.

How did this board function?

After the board was established, seven producers representing all of the different groups, and seven distributors representing all of the different

groups, had a meeting and asked me to stay on as chairman of the board. After consultation with Dr. Macklin I agreed to do so. So we went to work. We had a small staff there in the California State Building on Spring Street in Los Angeles. I had a stenographer and we had, I think, one man that worked on the collection of monies to pay for the costs. We had two or three men who worked on enforcement problems to make sure that if there was a report that someone was not living up to the agreement we could check it out.

Was this agreement under some law at that time, or was this just a voluntary arrangement supported by the state?

Well, the authority for doing something, without any specifics, was under Section 1152(f) of the Agricultural Code that I mentioned above. We were simply implementing the authority that was granted there to arbitrate this dispute. Our method of arbitrating was to draw up an agreement between the producers and distributors, which they all wanted. We had to have the consent of both parties under the law, and we certainly did. The agreement demonstrated that both the producers and the distributors were favorable to this.

But this agreement was in fact setting prices.

The prices were established right there in the agreement: fifty-five cents per pound of milk fat to producers and for distributors, 8 1/2, 10 and 11 cents.

And fifty-five cents a pound milk fat.

Fifty-five cents a pound. That's right. That is the way the dispute between all parties was settled. Whether it was setting a precedent or not, it was what we had to do in order to settle the dispute.

What was that 8 1/2, 10 and 11, now?

The 8 1/2 was wholesale price to the store per quart; the 10 cents per quart was out of the stores; and 11 cents per quart was home delivered with 55 cents per pound of milk fat to the producers. Oh, I should also have said that any excess which a producer would deliver to a distributor which couldn't be used for fresh milk or fresh products would be paid for at prevailing prices for surplus milk, which at that time was 33 cents per pound of milk fat, I think.

Basically, you had the beginnings there of a classified pricing system for producers: 55 cents per pound butterfat for bottle milk, and 33 cents for surplus.

That's right. That's what went on, and it continued all through the rest of 1932. We had very few violations. There were no violations that I ever heard of for the producer prices. We had a few violations on the distributors prices in one way or another, but we had no real enforcement problems. But early in 1933, Congress passed the National Agricultural Adjustment Act in

Washington, which provided the Secretary of Agriculture with authority to promulgate marketing agreements and licenses on milk and a number of other products.

Tell us about this new federal legislation.

The producers themselves (some of them), especially the manager of the California Milk Products Association, Earl Maharg, was interested in trying to make use of or to obtain the benefits of that federal legislation. So sometime in the early part of 1933, our board passed a resolution authorizing us to work with the Secretary of Agriculture in drawing up a tentative marketing agreement under the Federal Agricultural Adjustment Act. We requested assistance from the Secretary of Agriculture and he sent out three men, one attorney and two economists.

Tell us about your experiences in drafting the federal program.

I worked with these three men for more than a month in trying to draw up the marketing agreement and the tentative license that would follow. I found this to be a very difficult problem. The ideas of these three men were so much different than any economics that I had ever been taught. And there was a constant effort on their part to consolidate all of the marketing of milk into the hands of one distributor for the Los Angeles market, and into the hands of one producers association. They actually drew up some language along this line which I asked them to submit to the board. I said, "I would not make the final decision, but I don't think that anyone here is going to approve that." They put it to the board and the board, of course, turned it down immediately.

We finally went ahead with a marketing agreement that provided for 60 cents per pound of milk fat to the producers, 8 3/4 cents wholesale to the stores, 11 cents at the stores, and 12 cents home delivery. I was not able to support the increase in prices; as far as my data were concerned, I could see no real basis for it. But these men from Washington said they thought the price to producers was too low, and they wanted it to go to 60 cents. So that necessitated raising the wholesale price and, of course, the store price and the home delivery price.

Anyway, we drafted that marketing agreement and license and requested the hearing. We had the hearing, and the program was supported by both the producers and the distributors. The agreements were sent out for signature. Of course, under this federal plan we had to send out the whole agreement to each producer for signature. It was a bulky proposition to do all that. But we were successful in getting the necessary number of signatures from producers. The documents were forwarded to Washington, D.C. In due time the Secretary of Agriculture, on the 11th day of November 1933, made this marketing agreement and license effective upon producers and distributors for the Los Angeles area.

That Secretary was Henry Wallace?

That's right.

This is a case now where the federal government was involved in wholesale and retail price setting through agreement?

Right, and the issuance of a license. The agreement preceded the license. The agreement was signed by producers to a required percentage, and we exceeded that percentage. Then, subsequent to that, the Secretary of Agriculture issued the license. The license normally carried all of the features of the marketing agreement, and that put it into effect upon distributors and was the basis for the enforcement of all of the pricing provisions of the document.

Who would have to have a license? Would all distributors be subject to the license?

Yes. All distributors were governed by the license.

And would a producer have to have a license?

No. The producers were not covered by the license. But the responsibility for carrying out the provisions of the agreement was placed upon the distributors, and it went into effect on November 11, 1933. I might point out one incident which had occurred just preceding, perhaps one or two weeks, while the document was still being considered in Washington.

In addition to prices for fluid milk, there were also prices set for cream and cottage cheese, and a number of other products that were being manufactured and distributed in the area. There was a price for a certain size of cottage cheese. If I remember correctly, it was 28 cents for this particular package in the agreement, and this was also proposed for the license. During a period of about three weeks preceding the date when the license was issued and became effective, a national distributor of cottage cheese began selling cottage cheese in the Los Angeles area at substantially lower prices than those that were contained in the marketing agreement. We protested to them on the grounds that this was an agreement that was before the Secretary of Agriculture. They just laughed and said nothing. To our dismay, when the licenses came out, the price for this particular package of cottage cheese had been reduced unilaterally by the Secretary of Agriculture to the price that was being charged by this one distributor. A unilateral action which really hurt some distributors who were complying with the terms of the agreement.

You said that the agreement called for 60 cents per pound fat to the dairy farmers. Now, was this cottage cheese made out of that 60 cents per pound fat, or was it made out of the lower priced surplus milk? You said the price was 60 under the new agreement. Was there a second price for fat for surplus? Did this new agreement under the Agricultural Adjustment Act carry two grades of milk?

Yes, I think so. I think it also carried the price for the surplus price, I think the 33 cents, or a price based upon a federal support price.

Would the cottage cheese be made from the 33 cents milk or the 60 cents milk?

Since this was a fresh milk product, it was supposed to be made from the 60 cents milk, according to the plan. So, this obviously was something that was very disruptive in the market. One of the main producers of cottage cheese in the Los Angeles area lost 27 percent of his business during that three week period. He tried to hold to the price which was established in the marketing agreement. The other company undersold by one or two cents per package, and gained the business. When the license was issued, we found out that the Secretary of Agriculture unilaterally had reduced the price to the price which was being charged by this distributor.

Was that a major company?

Yes.

And he had gotten to the secretary surreptitiously?

I don't know that, but it happened just as I said. I don't know what happened in Washington. I don't know who went to see the Secretary of Agriculture. But it did then, and does now, seem a little disturbing that the company which undersold the agreed-upon price for cottage cheese in the Los Angeles market knew exactly what price was going to be established under the license issued by the Secretary of Agriculture. It just doesn't seem possible that he could have guessed what had happened or what was going to happen.

On the other hand, in defense of the Secretary, the Secretary might have known at what price the new store was selling at, and thought that would be reasonable.

This wasn't a store. This was a major manufacturer of cottage cheese throughout the United States.

Which manufacturer was it?

Well, I guess it's a long-gone proposition, but it was Kraft Cheese. The Los Angeles manufacturer of cottage cheese that lost so much or the business was Knudsen. It was a very disturbing situation, and if later events had not superseded this, something would have been done about that particular thing because no one else in the Los Angeles market had violated the agreement, nor had anybody else known anything about this unilateral changing of an agreed-upon price. There was no evidence or testimony that the price in the marketing agreement was too high. It was something that had been established quite well.

Tell us about your three helpers sent by the Secretary.

Anyway, I might say, before we go on any further, it was later established that the three men who were sent out by the Secretary of Agriculture were part of a communist cell in the Department of Agriculture in Washington, D.C. This was established and published on a national basis, so I am not accusing anybody. This accounts, to some extent, for the very unusual type of economics that these gentlemen were trying to get us to agree to. Furthermore, on the very day that the marketing agreement and license became effective in the Los Angeles market, we were served with a federal restraining order by Lucerne Cream and Butter Association.

That was a unit of Safeway stores?

That's right. We had to engage an attorney immediately, and in the preliminary hearing in the Federal Court, the attorney for Lucerne Cream and Butter presented a statement that they had determined that the Secretary of Agriculture of the United States had no authority to regulate the marketing of milk within the State of California. We learned that the basis on which the Secretary of Agriculture had issued the license was that a very substantial amount of surplus milk from California, and particularly from Los Angeles, was shipped to other states for the manufacture of butter and cheese, powdered milk, etc. In actual fact very little of that surplus milk was ever shipped out of the state of California. Those products were produced in other states and shipped into California. There were producers of manufacturing milk in some parts of the state of California, but they had nothing to do with the Los Angeles situation.

It was a very difficult situation for us in Los Angeles to disprove this presentation, so the court issued a preliminary injunction and eventually made the injunction permanent. So— the license became null and void. During this period of time the Los Angeles Milk Industry Board set up under that license finally found it necessary to set up a committee of three to go to Washington and, you might say, "have it out" with the legal people in the Agricultural Adjustment Administration to find out precisely what they thought they could do. The question was whether they could enforce the license, or would have to give it up. Finally, we were able to corner the legal counsel for the Agricultural Adjustment Administration, and he admitted that he didn't have a proper basis for enforcement of the Los Angeles license.

O.K. So the first marketing act for milk in Los Angeles under the Agricultural Adjustment Act was voided by the court because it was an intrastate operation and the USDA did not have authority to regulate within the state. All it could regulate was crossing state lines. Is that correct?

That's precisely what the situation was. After we found this out very clearly in Washington, our committee immediately came back to California. We had a meeting with our board, and the board said under the circumstances

there was nothing left for us to do except to draft a state milk law, because the federal government apparently could not help us at all. We immediately called a meeting of milk producers and milk distributors to be held in Santa Barbara. I think by that time it was April or May— perhaps not quite that late. I have no way of telling the exact date now.

You indicated that the whole effort was scuttled by court action. What kind of circumstances ensued? How did the market react to pulling the rug out from under? And did some of the organization continue as a residual effort, principally in San Diego, to continue some sort of an informal marketing program?

As far as Los Angeles was concerned, we had reasonable stability all through the time that the voluntary effort of the Milk Arbitration Board was in effect.

Was California a total milk deficit state then?

Yes, in total, there were more milk and dairy products consumed within the state of California than were produced within the state of California. But the deficit was largely milk products— products made from manufacturing grade milk rather than grade A milk.

Now, this was about 1933-34?

Yes. At the point that I am talking about, it was in late 1933. You see, the Arbitration Board, the voluntary program, was in effect from July 1932 until November 11, 1933, and we had what I could fairly say was reasonable stability. We had very little "griping" from either producers or distributors during that period of time. But the producers felt that they should make use of the Federal Agricultural Adjustment Act, for lots of reasons. However, they mentioned the possibility or the need for enforcement authority, which could not be done under the State Agricultural Code, 1152(f), but could be done under the federal Agricultural Adjustment Act.

The voluntary program such as we had developed in Los Angeles was adopted by a considerable number of producers and distributors in other parts of the state. As a matter of fact, if I recall correctly, there was such a program in effect in Alameda County, in San Francisco, in Fresno, in San Jose, and also in San Diego. The Bureau of Markets of the state Department of Agriculture employed men in most cases, who became the chairmen of the local boards in the cities that I mentioned, so this particular idea expanded to quite a number of markets within the state.

Were the programs in these other areas successful?

They had about the same success as we did, and subsequently they moved to get federal programs as we did in Los Angeles. Alameda County moved rather rapidly to get a program, and I think San Diego did likewise. I don't recall whether any of the other cities tried or not. I think they held back, waiting to see what would happen to ours. And, of course, when

the Los Angeles Marketing Agreement and License under the federal act was stopped by the federal court, it also did the same thing to the marketing agreements and licenses in any of the other cities of the state of California.

Why didn't they go back to the arbitration boards then?

Well, I think by that time it had become recognized by both producers and distributors that it would be possible under state law to establish both producer and distributor prices, and that there would henceforth be less trouble of enforcement than there would be under the arbitration procedure. I can say quite definitely that there had not been great dissatisfaction with the arbitration plans, but once the producers had found out from the provisions of the federal act that they could have this under law, they thought it would be much more satisfactory and much stronger from the standpoint of enforcement.

So when the Federal Agricultural Adjustment Act was passed they tried to accomplish this, and when they found out that that couldn't be done for the marketing of milk in California, they then proceeded, as we will see later, to try to develop a state act.

This motivated calling a meeting in Santa Barbara to start developing the state act?

Yes. A meeting was called representing milk producers and milk distributors from all parts of the state of California. It was a two-day meeting. It was agreed first, that we must proceed immediately to draft a state milk bill to be introduced into the 1935 session of the legislature (this was in March of 1934) and second, they appointed a drafting committee— I don't remember how many people, but about the same number I think, that we had on the board— seven producers and seven distributors from most parts of the state. I was asked to act as the secretary of this committee. You see, by that time the Los Angeles Milk Industry Board, which was set up by the federal marketing agreement and license, had become relatively dormant— the only activity that was going on was the surplus pool which was necessary to take care of whatever surplus milk there was. But that continued on even though the accounting situation was pretty difficult, because they were operating without legal authority.

Anyway, after the Santa Barbara meeting we moved our offices out of the California State Building because we were no longer a federal or state agency. We rented a small office space in the Chamber of Commerce on Broadway, in Los Angeles. We just had a small office and a meeting room where the committee could meet. For the next three or four months this committee held numerous meetings to decide on policies that should be included in this state Milk Control Act. We had almost unanimous approval of the producers throughout the state and about the same attitude on the part of the distributors, generally. But we had somewhat less than enthusiastic support from the chain stores, especially Lucerne Cream and Butter, which told us flatly that they would be opposed to any state milk law.

Nevertheless, we proceded. The board authorized me to employ an attorney. We had had an attorney, Jack Whitcombe of Los Angeles, who had helped me somewhat during the time of the Los Angeles Arbitration Board and he also had helped some in the preparation of the marketing agreement and license under the federal law.

How did you proceed?

Jack Whitcombe and I drafted the first draft of the California Milk Law, which was pretty well completed by the early summer of 1934. Of course, the procedure was to discuss with the committee the principles upon which the act or the bill was to be drafted, and then, following action and approval by the drafting committee, we proceded to do the actual drafting of the bill.

From the very start some of the principles that we considered were that this bill would cover authority for the Director of Agriculture to establish minimum prices for both producers and distributors. The economic principle which was woven into the bill was that which had been set out a number of years before by Dr. John R. Commons of the University of Pennsylvania. He had set it out primarily as a guide to public utilities, but we were not thinking of a public utility type of law when we drafted the milk law. However, this principle was pretty well incorporated into this first draft of the Milk Law, and that was that the prices that would be established, prices to producers and the prices to be charged by distributors to stores and homes, would be the lowest possible prices including a reasonable margin of profit.

At that time this reasonable margin of profit was considered to be eight percent. Also, the lowest possible prices were based upon the necessary costs of enough of those producers and distributors, especially the most efficient ones, whose facilities were needed to supply the market so that there would be an adequate supply of good wholesome milk, and enough distributors of the various types so that there would be adequate wholesale distribution to the stores and restaurants, and also for retail home delivery.

There were pretty strong feelings on the part of producers that distributors should cut out some of their "frills" in distribution and that's one reason why this particular language was used. Anyway, that thought of trying to get good wholesome milk to consumers in the state of California at the lowest possible cost consistent with the maintenance of an adequate supply— that is a simplistic way of stating it, but that's what was intended, and as far as I am concerned, that was worked into the bill and remained in the bill, in essence, all the way through.

Did this committee consider maximum prices?

They talked about maximum prices at the time but it was not considered to be feasible from an enforcement standpoint. Also, they weren't at all sure that they could get any legal support for this because the federal marketing agreement and license had insisted on minimums. The thought at that time, you see, was based on what had been occurring in the milk

industry, namely that there was a constant effort to cut prices in order to get business on the part of distributors, and also the same situation on producer prices which had come over from the experiences in Los Angeles and the other markets— namely, there was a tendency for some producers who didn't have a home for their milk to try to sell it at a lower price, which of course was the major disrupting factor. So, minimum prices were given the most consideration and that was written into the bill. We prepared this bill, and a small committee, including myself, went to Sacramento to discuss the matter with the Director of Agriculture because his department was named as the agency which would administer the law. It was going to be his responsibility to administer and enforce this bill.

Who was the director then?

Anson Brock had become the Director of Agriculture.

Were you one of his employees then?

No.

You left the Department of Agriculture to go with this committee and then came back again later?

Well, you see, as soon as the Arbitration Board was stopped, and when we went over to the federal marketing agreement and license, my association with the California State Department of Agriculture had terminated. That is why we moved out of the State Building, because I was no longer a state employee and my income from that time on, instead of coming from the Department of Agriculture in Sacramento, was coming directly from the industry under a system of so many cents a pound of milk fat, or whatever it was, some small figure.

Anyway, it was in August or September when we went to Sacramento to have this discussion, not only with the Director but with the Attorney General and with the Legislative Council Bureau in Sacramento. The latter would have responsibility for putting the bill into shape to be introduced into the legislature. Well, our conference with the Director of Agriculture was not very satisfactory. He very plainly told us that he did not want the milk law to be placed in the California Department of Agriculture. He didn't want to be bothered with it, he said. It was too controversial, and he told us to take it to the University of California in Berkeley.

We pointed out to him that the University of California at Berkeley was not in a position either to enforce or administer a law such as a state milk law, and he said, "Nevertheless, I don't want the bill in my department." We left without any hard feelings, but we were convinced that the law would eventually, if it was passed, have to come into the California Department of Agriculture. So we were not particularly discouraged by what Mr. Brock had to say. We understood his feelings about it, because we knew that he was not very friendly to any marketing legislation. He didn't want to get into the economic phases of the marketing of farm products.

What was his background?

Well, he had been an Agricultural Commissioner in Ventura County, and he was quite friendly with the California Fruit Growers Exchange— Sunkist— and he had a legal degree which he had gotten, I think, either by night school or something of that sort. He had a good deal of common sense, but he was not conversant with economic matters or marketing matters, if you want to call it.

We had to start with that. We then discussed the matter with the Legislative Counsel Bureau, and with some minor changes, the bill seemed to have their general approval. The Legislative Counsel was very helpful, but it became clear that there would have to be a committee that was local— in other words, a committee that could be called together quite quickly, in order to get the bill into shape to be introduced into the 1935 session of the legislature. The industry committee, of which I was the secretary, decided that they would have a small committee in the Sacramento area take over the bill. I think it included legislative representatives of both the producers and the distributors, to discuss the features of the bill with members of both the Assembly and the Senate.

Who were they?

I don't recall who they were.

Was it Paulucci?

Well, Joe Paulucci was the deputy that went over the bill with us in the Legislative Counsel Bureau.

Deputy Legislative Counsel?

He was a Deputy Legislative Counsel at the time. Joe Paulucci— I remember him well. I don't know if he is still alive.

He died a few years ago.

Oh, did he? Joe was very helpful to us. But I don't remember who the other people were. They were people who were either, or both, producers and distributors who could be called together on a moment's notice to work with Joe Paulucci and others. After this small committee had discussed the matter with members of the legislature— that was in the fall of 1934— they came to a conclusion that the time was not right to include provisions for setting distributor margins in prices in the bill. They thought that it would be a lot easier to separate the producer-pricing from the distributor-pricing, and so on. The bill was redrafted here in Sacramento to include only producer-pricing.

It was finally put into shape, I presume, by Joe Paulucci and perhaps some others, and it was turned over to Senator Sanborn Young to handle. Thereafter, it became known as the Young bill. It went through the legislature in 1935 and became effective in the fall of 1935 on an urgency basis.

There was another feature that was written into this bill which was somewhat new to me. I think that the legal people who worked on the bill in Sacramento thought that perhaps the legislative standards, based upon the cost of production and distribution, were not sufficiently definite, and so they felt that they had to strengthen the legislative standards somewhat. Out of that particular effort came the concept that the prices to producers would be based upon the additional costs of producing fluid milk, over and above the costs of manufacuring milk.

But since they did not have the cost of manufacturing milk, they used the language "over and above the prices of manufacturing milk," and that got us into trouble in some later years. Prices for manufacturing milk were based upon the federal support prices. The standard was sufficiently definite to satisfy the courts when the first test of the bill came.

X. LEADERSHIP IN CALIFORNIA AGRICULTURE

How did you then get involved with this state act?

From my own standpoint, after the bill became effective in the fall of 1935, I accepted a position with the Bureau of Marketing. I had taken two civil service examinations for Federal positions, and two civil service examinations for state positions in the Bureau of Markets. I hadn't heard anything from the federal— I didn't find out until later what the problem was— but I happened to be on the top of the list on both of the examinations that were given. One was on milk alone, and the other was on general crops.

So I had a choice of either the milk position or the general crops position. I had gone into the thing enough to believe that there was as much, or more future in the general crops side of the picture as there was in the milk. Anyway, I would be in the Bureau of Markets, and the Bureau of Markets was going to administer, by that time, both the milk law and whatever other general crop legislation that was on the statute books at that time. So I accepted the position as a marketing economist in the Bureau of Markets to work on general crops.

Getting back to the standards of the bill— you mentioned that they didn't use the cost of producing manufacturing milk, but they used the price. Was there also a total supply standard so that the prices would be no higher than necessary to bring forth an adequate supply? What kind of standard did you end up with?

Well, when we sent the bill to Sacramento, we ended up with the concept that the prices that would be established by the director would be those that would provide an adequate and sufficient supply of pure, wholesome milk to consumers, and we also had the same type of standard with respect to distributor prices and margins. We thought that would be sufficiently clear.

Was there any safeguard so that those prices wouldn't bring forth an excess supply of milk?

No, not that I recall. I don't think we did that. There was a feeling that the prices that would be established under this standard, which was relatively new in California, would be such that there would not be anywhere near the tendency to overproduce as had occurred previously in the Los Angeles market.

Was the federal government at this time working in the same area of milk marketing orders in other parts of the country?

Yes. In other parts of the country, especially in cities, in other milk marketing areas of the country where it could be established that there was a substantial amount of interstate commerce from that particular market or state into other states— it would be possible for the Secretary of Agriculture to enforce those milk marketing agreements and licenses.

Was this program under the Young Act similar to the federal programs that they were starting?

No. It was quite different. Ours was based largely on the concept of necessary costs, whereas the federal government was more out in the open field of the relationship between fluid milk and manufacturing milk, and it was possible for the federal government to use that particular standard because they were, at that time, supporting the price of manufacturing milk based upon a base area of Madison, Wisconsin. At the time our bill went into effect, the base price which was established— you might call it the support price for manufacturing milk— was $3.09 a hundred-weight.

In the early days of the Young Act, because of the provisions that had been set into our law, our prices were based upon the additional costs of producing and marketing fluid milk in the state of California over and above the price of manufacturing milk, which was at that time $3.09 a hundred-weight, a price which was the federal support price. This support price was based at Madison, Wisconsin, where milk production conditions were much different than in California.

And that was the federally supported price?

That's right. That was considered to be a more precise or stronger legislative standard than what we had put in based upon the actual cost of producing and marketing fluid milk. Our thoughts had been that we would be able to get adequate cost material on fluid milk, without having to do the same for manufacturing milk.

O.K. We got you back in the department— you are now an economist with the Bureau of Marketing.

Right. My wife and I moved up to Sacramento in the fall, October of 1935, I think it was. At the same time, the chief of the Bureau and the department appointed a man to work on producer milk prices who happened to be Ernest Vehlow, who at that time was Secretary-Manager of the San Bernardino-Riverside Milk Producers Association. So for the next two years, Ernie Vehlow and I handled this marketing work. I handled the general crop activity under the general marketing laws that were on the statute books at that time, and Ernie Vehlow worked on the milk. As you know, it covered only the producer prices.

How did that work, locally or statewide?

There was a provision in the bill which we had worked into our original draft, namely that the producer prices would be set up by marketing areas. Marketing areas were defined as being those areas in which the costs and the methods of production of milk would be quite similar. In other words, in the area surrounding the Sacramento area it was possible for the Bureau to establish what was called the Sacramento Milk Producing Area, I think we called it to start with, and similarly for San Francisco, San Jose, Los Angeles, San Diego, etc.

The procedures under the Young Act were to be quite similar, so that the original task under the Young Act was to study the marketing conditions in each of these producing areas and then to set up these milk marketing areas under the law. Then the task was to determine the cost of production in each of those areas and to call public hearings, and discuss those costs, and thereafter, to develop the minimum prices to producers to be established by the Director of Agriculture.

Were these marketing areas similar to federal terminology of milksheds, where the milk comes from?

Yes, in a very general way. I would say that ours in the state of California were actually milksheds, but they were small in area and somewhat more definite than what you might define as the milkshed. For example, in and around Madison, Wisconsin, which was to be called the base in federal programs, they not only produced for that market, but also it was an area that shipped out a great deal of fluid milk for various purposes, including not only fluid milk, but butter, cheese and condensed milk. We did not have all of those activities here in California.

Where were the first milk marketing areas, and how fast did they develop?

I have forgotten which one was first. I think Sacramento was one of the first and Los Angeles was also right in there, because they were thoroughly familiar with the old procedure. But they developed very fast, and within a year or so after the act became effective these milk marketing areas had been set up in practically all of the major marketing areas of the state. By sometime in the end of 1936 and early part of 1937, the Young Act was already in effect and the purposes were being accomplished, and we felt quite good about it.

How was enforcement handled?

At that time the enforcement was handled by the Bureau of Markets itself. When there was a need for some enforcement activity, our people worked with the deputies in the Attorney General's office in the preparation of a case. That went on for some period of time.

I think that one of the problems that developed right from the beginning was the need to develop information with regard to the cost of production in each of these marketing areas that were being established. The Bureau of Markets had no personnel— in fact, there was just the chief, his secretary, Ernie Vehlow and myself, and maybe one or two other girls. That's

what the Bureau of Marketing consisted of at that time. So we had no employees that could develop costs of production for fluid milk in any of the marketing areas. I believe it was suggested by the director that here was a chance to bring the University of California into the picture, and so he suggested that we contact the people over at Davis and see if they could help us out.

Was this the same director, Brock?

Yes. So we got in touch with the people over at Davis and Dr. James Tinley was put in charge of the effort to establish the cost data for us. After some delay, they appointed cost accountants, or accountants at least, and began to develop cost data for each of the marketing areas that were being established.

Now, did a Martin Blank work with him on this?

Not that I know of. Martin Blank worked for me in the Los Angeles Milk Arbitration Board. After that, it was planned that he would continue working for the federal marketing agreement and license in Los Angeles, but when that failed I think Martin Blank set up an office of his own to do service work for milk distributors in the Los Angeles milk marketing area.

To continue on with the work being done by the university, it turned out to be quite a task for the University of California to develop the cost of production of milk rapidly enough to coincide with the development of marketing areas and the need to establish minimum prices. We were constantly endeavoring to urge Dr. Tinley and his staff to speed up their activities because, as you can imagine, almost every milk marketing area in this state wanted to have their prices established.

Later on, it developed that there was a conflict. We (the Bureau of Markets) needed to have a service agency that could go to work on this thing and do it as promptly as possible. The University of California was looking at it more or less as a sort of research job and eventually the two concepts became further and further apart, especially later on after the distributor part of the Milk Law became effective, so that arrangement was discontinued.

Did you pick up that work within the department then?

Well, a little later on after the second part of the act was passed—the Desmond Act, the director was authorized to establish minimum wholesale and minimum retail prices. This arrangement with the University of California became more and more difficult, so it was finally terminated. We were then authorized to employ our own cost accountants, if you please, for both the production and the distribution of fluid milk.

What year was the Desmond Act, or the Wholesale/Retail Price Act, passed?

It was passed by the legislature in 1937.

Did you have anything to do with the drafting of that law?

Yes. What happened was that a skeleton-type of a bill was sent over to us by Senator Desmond. I think he was representing some local milk distributors— perhaps it had a wider basis than I knew about. Anyway, he had drafted himself, or perhaps the Legislative Counsel Bureau had drafted, a skeleton-type of a bill. But it needed a great deal of additional drafting, so I was given the job of redrafting the Desmond Act. This was necessary to bring it into line with not only the necessary features that we had already settled on when we prepared the first draft that came up from Los Angeles, but also to make sure that the legislative standards of the act were adequate, because we didn't want to have the bill challenged in court immediately.

You did this while you were a department employee?

That's right. By that time I was doing a very considerable amount of the legislative drafting for the Bureau. Ernie Vehlow had not had any experience in drafting and Dr. Macklin had not had any such experience either, so I got the job of drafting the legislation for both groups, even though I was supposed to be on general crops. This was augmented by the fact that about this time I had been elevated to associate chief of the Bureau, which put me in a position where I had responsibility for both the milk, and the general crops.

Moving into the Desmond Act, did this imply that the Young Act had failed?

Oh, not at all. You might say that because the Young Act was working so satisfactorily, the distributors, as they had voted in Santa Barbara in 1934, wanted to have the same type of legislation that the producers had already won. So as the Young Act became established and was working quite satisfactorily, distributors began putting pressure on us, and since Senator Desmond was connected closely with the milk distributor group, they had chosen him not only to draft, but also to sponsor the bill. So what we did after receiving the skeleton bill was simply to fill in all features of what we considered the bill must contain as provisions in order not only to do the job, but also to satisfy the legal questions.

Senator Earl Desmond had prepared a sort of a rough draft of such a bill and sent it over to our Bureau for consideration. It was really in the form of a skeleton bill and needed a great deal of work. One of the things that we found had been left out was that there was no provision for the legislative standards which would guide the Director of Agriculture in the establishment of these minimum distributor prices and margins for milk in the various areas of the state. When Senator Desmond checked with us as to what we thought of the bill, I mentioned the fact that one of the provisions that needed to be built into the bill was a set of legislative standards. He promptly stopped me and said, "Oh hell, the Bureau of Dairy Control will take care of that. They set the standards for milk and dairy products."

I said, "Well, Senator, I'm not talking about the quality standards for milk and dairy products, I'm talking about the legislative standards that must be in the bill to guide the Director of Agriculture in the establishment of these prices." He said, "Well, I don't know anything about that. Do we have to include that?" I said, "It's a very important provision of any such bill because there has to be a guide to the director. Otherwise, the courts will say there has been an unconstitutional delegation of legislative authority to the Director of Agriculture."

So we proceeded to draft the legislative standards of the bill together with the other features, which we considered to be necessary, and sent the redrafted bill back to Senator Desmond. The legislative standards which we worked into the bill were essentially on the same basis that we developed into the producer law, namely that the prices and margins which the Director of Agriculture could establish would be those that would provide an adequate supply of pure wholesome milk at the lowest possible prices consistent with the maintenance of an adequate supply. That was just about the same basis that we worked into the other law.

The Senator took the bill and worked it through the Agricultural Committee of the Senate and then later through the Assembly. The bill, almost identical to what we had sent over, was passed by both houses, signed by the governor, and became effective in September 1937.

As soon as this piece of legislation became effective it was necessary to employ additional personnel to handle that phase of the milk legislation. We brought in John Marshall, Jr., to carry on this phase of the work. You will recall that Ernest Vehlow was in charge of the producer's side of the operation. We had to add some more people to take care of the work. The bill called for the development of costs of distribution for the various products covered by the bill, and this was done on the basis of each marketing area, pretty much as they had been established for the producer's side of the legislation. So that there was a complete tie-in between the development of producer prices and the development of distributor prices and margins, although actually the operation in the development of prices was completely separate.

You will recall that I said earlier that the costing work was being done by the University of California at Davis, but it soon developed (after the distributor side of the law, the Desmond Act became effective) that it simply wasn't feasible to continue the costing work with the university because they were not set up properly to act as a service agency in the development of the costing work. We found that we needed to have control of the costing work so that we could coordinate it with the demands of the milk producers and milk distributors in each of the marketing areas. We could not wait on the relatively research type of work that was being done at the university. It was very shortly after that we were authorized to employ our own cost accountants.

What was the tie-in between the two laws?

Well, the tie-in was that when there were producer prices being established in a marketing area, it was also necessary for us to do the costing work and consider the establishment of the minimum wholesale and minimum retail prices in the same area. In other words, the two were coordinated.

It was mandatory that you have wholesale and retail wherever you had producer prices?

Yes, that is right. The two were tied together. And of course, that also had its effect upon the great need for handling the costing work. Then, whenever we got into litigation, or if we did get into litigation, or hearings of various kinds, we had to know what the costs were and how they were developed in order for us to be able to testify properly. In substance we now had the responsibility on both sides of the milk industry.

The development in the various milk marketing areas of the state was very rapid. The pressures on our Bureau were tremendous to get the job done just as fast as we could carry on the costing work.

Were there unfair practice provisions in both laws?

Yes, but actually, as I recall, we paid very little attention to unfair practices in those early days. There was a good deal of feeling on the part of milk producers that there were unfair practices on the part of milk distributors, but we were so busy developing the marketing programs that we gave very little attention to it in those early years.

Although there were provisions in both laws for that, we had the same experience later with the general marketing laws. It was a very fast development, but I can't say that we had very much help from the general administration of the department. As I told you some time ago, the director had told us positively that he did not want the Milk Law in the Department of Agriculture. However, since the legislature had placed it under his administration, there wasn't much that could be done.

I'm thinking primarily of the director's attitude towards the employment of necessary help. He said quite frankly that he thought the first time these laws came up as a test for constitutionality they would fall, and so he was very reluctant to allow us to put on permanent civil service employees. We always had very considerable delays of several months in order to get people for additional help, and in some cases it became necessary to use what we call wedging the additional employees into the service. We would employ them with his permission on a temporary basis, and as the work expanded and the need for help became positively necessary, the State Personnel Board would come in and say, "Well look, you not only need these people, but we don't want to approve them any longer on the temporary basis. You have to put them on a permanent basis." That way the director was required, you might say, to approve permanent employment. That situation went on for a good many years in the Department of Agriculture.

What were the job classifications or types that were used in this work?

On the producer side, the top man was called a marketing assistant, if I remember correctly. I don't recall what they called the man that worked on the distributor side. We were pressing for the establishment of what we called milk marketing economists.

When were the milk marketing economists first employed?

They were employed in the first year after we had a change of administrations. We had a new director come in when Brock left. The governor was Frank Merriam. Brock was out and Culbert Olson came in as governor. He appointed W.B. Parker as the Director of Agriculture.

Bill Parker was very friendly to the marketing work that we were doing and very helpful. So I developed, not only for the milk, but for other activities that we had, some specifications for marketing economists to work on. These were not only on milk, but also on other products that were under the jurisdiction of the Bureau of Markets.

The specifications were drawn up, of course, with the help of the people in the Personnel Board. But they were favorable and the director was favorable, and so very early in the period of time when W.B. Parker was the director we were able to set up, I think, four types of marketing economists. Each one had training in a particular commodity field that he was working, not only with the economist but with the assistant marketing economist. Those were approved by the State Personnel Board. From that time on we proceeded to employ personnel on that basis.

Now that you've got producer price in program intact, and you have resale price in program intact, and the prices are established through this process under the standards of the act, the thought now occurs to me that this is a very sensitive area— establishing prices. It affects a lot of people. Did you run into any undue political influence to try to affect those prices?

I would say that, generally speaking, the economic climate following the Great Depression was such that there was very little opposition to the work we were doing, very little opposition. Once in a while there would be some objection from some political person high on the ladder. I think it would be fair to say that Governor Olson called me from Los Angeles one time and wanted me to reduce the price of milk in Los Angeles a half a cent a quart.

To reduce it?

To reduce it, and after quite a long discussion on the telephone, it became evident that there was no basis upon which I could honestly reduce the price of milk in Los Angeles. I told the governor to that effect. The matter was allowed to stand. That's about the only time when a high political officer of the state requested us to modify what we were doing.

They may have done so without my knowledge. Perhaps they called the Director of Agriculture, but if so, I didn't hear about it. We just went ahead on what I call a straight economic basis. We used the data that we obtained and did the best we could to set milk prices on the basis of the facts that we had. That seemed to satisfy most people. The prices were relatively low anyway. You started out not much higher than the ones in the prices that I mentioned for Los Angeles.

What was the role of the public in establishing these prices?

Well, the public had an opportunity to appear at each of the hearings that we held.

So you held hearings before you set the prices?

Oh yes, we developed costing facts first and then we set up a public hearing, notified all of the producers and prepared a set of producer prices. There was a great deal of publicity in those days, in the newspapers and otherwise. There would be quite a substantial attendance, consisting of producers and producers' associations. The consumer representatives generally took the position that they didn't want milk prices to rise. They pointed out that milk was needed by poor people and children, and that we ought to do everything we could to keep the prices down.

That was consumers talking?

Yes, consumers, and the same thing happened in the distributor areas. There was more likely to be a larger delegation of consumers in the distributor hearings than at the producer hearings. They were all heard. In many instances, they came without any facts or any figures or any basic economic reasons why milk prices should not be approved along the lines as were being supported in the hearings. As I said, they generally said they didn't want milk prices to be raised if possible, and so on and so forth.

Did you have any consumer representatives?

Well, they were consumer people that I am talking about. There were individual consumers, there were representatives of consumer groups, but they were very reasonable. Most of them listened to the facts and, in many cases, they said to us, "Well, that's a fair price." I had no feeling that we were running cross-wise to consumer interests in those early years.

There were changes in organization and structure in the department handling the administration and enforcement over the years, were there not? Can you tell us about those?

In the beginning, the Bureau of Markets had handled all phases of the operation of these two pieces of legislation. But then later on when Anson Brock came back into the department, and Joe Carey was chief deputy, they were of the opinion that the Bureau of Markets should not do the enforcement work on the milk laws as well as on the general marketing laws which came later. They pointed out that we were both the judge and jury, as they called

it. It would be better to let us develop the programs and let somebody else do the enforcement work. So it was decided that it should be done in that fashion.

We found a great problem with that sort of thing, though. We couldn't do anything about it just because it was ordered. We were not sufficiently familiar with what was going on in the enforcement side of the picture and the enforcement people were not adequately trained to either prepare cases or testify in court with regard to the reasons why certain economic activities or conditions were carried on. The separation of the enforcement work from the development work was not, in my opinion, a sound operation. We had many small cases that were lost or not properly handled. It wasn't a matter of ability as enforcement, but rather simply that they didn't have the information from which to properly carry out the enforcement work. At the same time, we who were in the development work were not learning as much as we should with regard to the important elements of enforcement work.

That was a change of administration when Brock was the director a second term, was it not?

Yes it was. I remember arguing the case before him on this very point. He finally said, "Well, you better handle both sides of it because it's not working out the way we have it at the present time." So, he was reasonable about it when it developed that this was not a sound approach.

Let's go back to the directors during that time. The work was started under Anson Brock.

That's right.

The next director was...

W.B. Parker.

And following him for a short time was another...

Young fellow by the name of Bill Cecil. He had been a sort of a protege of Bill Parker. The Cecil situation was a rather unfortunate episode in the Department of Agriculture. For various reasons Cecil got himself involved in a great many unfortunate things that finally forced him to resign.

Then who succeeded him?

Anson Brock came in under Earl Warren and many of these things were straightened out pretty well under Brock. By that time the marketing work had developed into quite a substantial part of the work of the Department of Agriculture. The courts validated the milk laws and I noticed a change in the attitude of Director Brock, although he was still critical of much of the work. I think he thought that marketing work was somehow something that should not be carried on in his department. From a philosophical standpoint, I think he thought that milk marketing laws and general marketing laws were

perhaps activities which should not be carried on. He cooperated with us much better the second time when he came in as director of Agriculture.

When was the general marketing and the milk marketing work split up into two bureaus?

I can't give you the exact date on it. It just got to the point where we all recognized it. The amount of work that had to be done in developing and handling all of the affairs of the milk laws and the general marketing laws was too much for one bureau to handle. Since milk marketing work and the general marketing work were developing very rapidly, and so many more employees had to be put into the work of carrying on the tasks, I think it was decided that they had better set up and work into two bureaus. I can't tell you the exact date.

Was that under Parker?

I don't think so. I don't recall that that was done during the time of Parker. I recall that was when we were developing the classifications for all of the work on both the milk laws and the general marketing. I believe that development of two bureaus came later.

When Brock came back?

I think it came in on the latter part of Brock's activities. Of course, my own position had gone from associate chief, to chief of the Bureau of Marketing both under Brock the first time, then Parker and then Bill Cecil for a short time, then again under Brock.

You had the general marketing laws for a period of time then under your jurisdiction, is that correct?

I started with the general marketing, but very shortly afterwards I went on up so that I was supervising both activities.

Later on, you became division chief with both bureaus under your jurisdiction?

That's right. I became division chief in 1955.

At that time you had some other bureaus, did you not?

Well, I had eight bureaus. We had the eight bureaus pretty well organized and it was a full-time job to be division chief. By that time W.C. Jacobsen became the director. I'm not sure whether he was the full-time director or the acting director at the time. He said, "I would like you to take on the job as assistant director in charge of marketing." I reminded him that I already had a full-time job. He said, "Oh, I think you can handle both jobs as chief of the Division of Marketing and also as assistant director." One was on the second floor of the building and one was on the first floor. I can tell you frankly that I was pretty busy.

A little more detail into some of the background of the two bureaus engaged in the marketing work, the general marketing laws and the milk law, and the administration...

Well, Don, as I mentioned earlier, the work in each of these two programs— that is, the milk marketing work and the general marketing work— began to expand very, very rapidly. The volume of work was so great, and the differences in technique and the requirements for administration became so much different, that eventually it became necessary to divide up the work so that the milk work was handled by a separate bureau from that of the general marketing laws. As we will see a little later, the general marketing laws began to expand very, very rapidly after the California Marketing Act was passed by the legislature in 1937.

When did the enforcement go back to the Bureau of Markets?

It went back during the period when Anson Brock came back a second time as director of Agriculture. I recall, on his own initiative, he informed me that in his opinion the Bureau of Market Enforcement was not adequately enforcing the milk and general marketing laws and that he was going to return the enforcement activities to the Bureau of Markets. This activity was not requested or even initiated by the Bureau. It was initiated by the director himself on the grounds that the job would be done better if we took it over.

Are we ready to move into the general marketing laws, now?

During the time that we were developing the milk laws, and as soon as I first came to the Bureau of Markets in the fall of 1935, my first job was to undertake the administration of the general marketing laws that were on the statute books at that time. My job classification called for that, and another man had been appointed to take responsibility in the development of work under the milk producers part of the Milk Law.

I found out that there were on the statute books at that time three general marketing laws which were in operation. One had been passed by the legislature in 1933, which was supposed to handle the intrastate marketing activities to correspond with any general marketing programs issued by the Secretary of Agriculture on interstate commerce. It was called the Little Triple A (Little Agricultural Adjustment Act) of California. This particular act was being used, to some extent, by both the orange people and also the walnut people— that is, the orange and walnut growers and their marketing associations.

There was another act called the Agricultural Prorate Act which had been developed in 1933 by the California Farm Bureau Federation with the assistance of the Prune Cooperative group in California and, I believe, they were also assisted by the Giannini Foundation. This particular act was administered by an agency which was outside the California State Department of Agriculture. It was administered by an agency called the Agricultural Prorate Commission, which was composed of producers and various handlers of farm products appointed

by the governor of the state. The technique of this particular act was that agricultural producers of a particular commodity would sign a petition up to a certain percentage which would then be transmitted to the Agricultural Prorate Commission with the request that they formulate a proration program. The general emphasis, at that time, was the development of these proration programs designed to handle surpluses of farm products. That is, in each season there would be an effort to estimate the size of the crop and then to determine the percentage of surplus. Following that, the proration program would provide for the disposal of the surplus percentage into some channel of commerce which would not compete with the free tonnage, that is, the marketable tonnage.

What kinds of products were they made into?

Well, sometimes— for example, in the grape proration program— the surplus was made into brandy rather than wine, and various outlets were used. In some cases the surplus product was simply destroyed if there was no viable usage for this surplus, but in any event, it was to be removed from the general commercial trade so that it would not compete with the marketable pretonnage.

Were there export subsidy programs?

There were no subsidy programs in effect at that time. At least I can't recall any. That came at a later date, because I had something to do with that later on. But there just wasn't any outlet at that time for some of this stuff and I remember, for example, in the raisin prorate program, one of the outlets they found was for cattle feed. They had to color the raisins for cattle feed so they wouldn't get back into the general channels of trade. If I remember correctly, they had some difficulty getting the cattle to eat the colored raisins. Anyway, this was a general effort. The emphasis was on disposal of surpluses with very little attention given to any of the other marketing problems such as quality, promotion, or anything of that sort.

Were there corresponding federal efforts in the same field?

No, there were not. For many of these products there were no federal programs at that time. But there were some that were undertaken. Later on, there was a federal program on raisins. I recall, not to get into too great of detail in this particular area, one time after the Prorate Act came over to our administration we had 11 million gallons of brandy and five and a half million gallons of high proof, which was turned over to us in the Bureau of Markets for disposal.

Were they able to dispose of it?

Yes. It might interest you to know that we sold the brandy and we sold all the high proof at prices which returned to the growers a higher price per ton for their grapes than they got for the free tonnage. That was some years later. Anyway, there was this Prorate Act which was outside the Department of Agriculture, and not within our jurisdiction, so at first it was not our responsibility.

Then there was another act, which had been passed in the 1935 session of the legislature, which became effective in September of 1935, just before I went to the Bureau of Markets. This act was called the California Marketing Agreement Act of 1935, and it had been sponsored by the California State Grange for which George Sehlmyer was then the State Master. This particular piece of legislation was in the Department of Agriculture for administration. It provided for the issuance of marketing agreements and licenses to be issued by the director of Agriculture upon a wide variety of agricultural products in the state. It provided that these programs could contain provisions for the control of surpluses, for the establishment of grades, for various farm products, and for grading and inspection of these products. They provided for the collection of monies to carry on advertising and trade promotion, and also to develop provisions to control what was called "unfair practices" in the marketing of farm products.

As I said a moment ago, the bill covered many farm products in the state of California for the first time. It covered products for canning and processing. It did not infringe upon the Milk Laws. It excluded any operations on the milk and dairy products because they were already covered under other legislation. In 1936, the first full year I was with the Bureau, we had applications from farmers' groups for marketing programs on cling peaches, asparagus, and on nursery stock. We developed these programs with the representatives of these commodity groups and they were put into effect on the 1936 crops.

Very soon afterward, these programs were made effective by the director of Agriculture. We were informed by the Office of the Attorney General, by what they called informal opinions, that this law called California Marketing Agreement Act of 1935, could not be enforced on the grounds that the legislative standards that were included in the act were too indefinite, too vague, and would not survive an attack in the courts. When this became known it became impossible to enforce these programs, so, while they had been developed and were generally sound from the economic standpoint, we couldn't do anything about it in the way of enforcement. For this reason they were terminated at the end of the marketing season.

Now this is interesting. Here is an act of the state legislature, but you were warned by the Attorney General that it could not be enforced.

Well, we were simply told by a memorandum from the Attorney General's office that they couldn't enforce the programs because the legislative standards were inadequate. Under the circumstances, there wasn't any use in trying to enforce these programs. I might say that two years later, the nursery stock people brought the same language and the same standards that we had developed on nursery stock, and they put these into the Agricultural Code.

In regard to these programs that became defunct as a result of the Attorney General's opinion, was the statute ever strengthened to take care of the problem?

No. What happened was something like this. As soon as it became known by the producer groups and the California State Grange that we could not enforce the 1935 act, a statewide committee was formed to prepare a draft of a new act that would have standards that would be adequate. The committee had in its make-up representatives of the Grange, the California Canning Peach Association, the Asparagus Growers Association, Sunkist, the Walnut Growers, and many other grower groups in the state of California. They began their activities in the early part of 1936 and they had many, many meetings. We did not attend these meetings. They had legal counsel to assist them. If I remember correctly, their legal counsel was Matthew O. Trobiner, who had a law office in San Francisco at that time. He later became associate justice of the state Supreme Court.

Why was it necessary to develop these other laws when you had the Prorate Act operating at that time?

I think that in the first place sponsorship was divided. The California Farm Bureau was sponsor of the Prorate Act. The California State Grange was the sponsor of the California Marketing Agreement Act. But the Prorate Act was pretty much limited in its activities to control the surpluses. There was very little authority to develop grading standards or to carry on advertising and trade promotion, or to control unfair practices. There was a very strong feeling on the part of many of the other groups that there was a need to have a broader application. The state Grange, for example, had been very outspoken. They wanted a marketing act that not only could control surpluses, but also would establish grading standards and provide for grading and inspection, and which would also carry on advertising, trade promotion, and control trade practices. So there was a difference of philosophy and opinion between these two groups, and that continued on for a long period of time.

When did the Farm Bureau change its philosophy on surplus control? They're strongly opposed to it and have been for the last few years.

Your question reminds me of a situation that developed in the state of Oklahoma on liquor control. The people in high places in Oklahoma always voted to do away with liquor, but the people continued to drink.

That wasn't just Oklahoma.

I just picked out a dry state, but in answer to your question, Don, it was simply that the leadership in the California Farm Bureau, and to a greater extent in the American Farm Bureau Federation, were opposed to marketing legislation. That included opposition to the Milk Laws. That is, the top echelon, the officers. But the rank and file of farmers who own the land and have the products to sell thought quite favorably not only of the Milk Laws, but also the general marketing laws because they met the needs of these farmers in solving some of their marketing problems. Regardless of what the top echelon in the Farm Bureau had to say about it, they supported it. That's what Director Brock told me at one time when he said, "You have, in supporting your activities, you've got thousands of farmers in the state of California who are supporting your programs and vote

for them every year, but the state Farm Bureau is opposed to your programs." I said, "Well, the people that do the voting are the farmers who have products to sell. That is how I can answer your question." That's the way it has worked out, and it has never been changed. If you're philosophically opposed to any government control, you ought not to go to marketing orders. But as I've said many times, the marketing orders are sort of a cooperative activity between government on the one hand, and private industry on the other. Farmers and handlers of farm products— the two come together to solve certain marketing problems, which in my opinion can be solved only by that sort of activity.

We're in the process of developing a new law now, after the 1935 act was declared unenforceable?

Right. To resume on that particular activity, there were many, many meetings of this committee which had been set up to develop a new marketing act and especially to devise some way of meeting the legal objections to the legislative standards. We did not participate. Many meetings were held by this committee, as I indicated previously, but as we learned later on in the year, there were developing some pretty wide differences of opinion. The producers, especially of crops for canning, for processing, wanted to have advertising and trade promotion in the law. They wanted to have provisions for the establishment of grading standards for processing products which were not in the Agricultural Code, and several other features. It developed that the producers of citrus fruits and, to some extent, the producers of walnuts were adamantly opposed to the inclusion of any authority in this bill for advertising and trade promotion. Sunkist, of course, felt very strongly that such a piece of legislation, such authority, would interfere with the continuation with their brand advertising for citrus fruit, and I suppose the same feeling was carried by the walnut growers.

There didn't seem to be any way of reaching an understanding on this difference of opinion. We heard about it, but we did not participate with them in the meetings. The first time the matter came to us officially was one afternoon in the early part of January of 1937, when the Master of the State Grange, George Sehlmyer, came to the Director of Agriculture and requested that the Bureau of Markets or the Department of Agriculture should be asked to draft a new marketing act. It appeared, after we were called into the director's office that Friday afternoon, that they had had a meeting all that day and the difference of opinion between the people that wanted the advertising and promotion work, or authority, in the law and those who opposed it had simply not been able to agree. The committee ended up without taking any action of any kind on a bill or any kind of a draft, and they went home.

So, Mr. Sehlmyer came over to the Department of Agriculture and said to the director, in our presence (Doctor Macklin and I were called in), "We only have a few more days before the last day in which a new piece of legislation can be introduced into the 1937 legislature." We said, "What day is that?" "Well, that day is next Wednesday." That day, when we were called in, was Friday and he said, "We simply couldn't agree, but we've got to have

a new marketing act bill that will meet the requirements of the Attorney General and also will carry the features that we want, that our people want." So he requested the director to draft such a bill. Well, the director shook his head and said, "George, I don't think it can be done. We haven't got time enough. You fellows have been arguing all year about it and you haven't reached any decision yet, any agreement, so I don't think it can be done."

He turned to Doctor Macklin and Doctor Macklin just simply said, "Well, Bill, can it be done?" I said, "I don't know, we can try." The job was turned over to me on that Friday afternoon about 4:30 or 5:00 and I just stayed right at it until it was finished. I already knew at that time, from the experience I had, some of the pitfalls in this whole operation. I had to draft by hand. We had one stenographer in the Bureau at that time, Mrs. Burke. I wrote on this thing until midnight that night, Friday night.

What were some of the changes that you put into this draft? Did you have any of the committee drafts?

No, I did not have them before me. I did have the text of the California Marketing Agreement Act of 1935, which was considered to be unconstitutional. I knew what the defect was and I did have a copy of the federal Agricultural Adjustment Act. But otherwise, I had to start from there. I had some ideas of changes that I thought would be helpful in the drafting of a new bill, and I tried to get these into the act. One was that the federal procedure of getting the approval of producers was to have the producers sign a marketing agreement. This same provision had been worked into the California Marketing Agreement Act of 1935. After the agreement was signed by a sufficient percentage of producers, it had to be— at least all copies of the agreement itself— forwarded to the department and checked against the requirements. Eventually, the Director of Agriculture, if he approved, would issue a license upon the handlers of farm products.

It seemed to me that this was a very awkward procedure. It also seemed to me that a representative group of farmers and handlers who are going to be affected by a marketing program should have an opportunity to assist the department in the drafting of such a program. This is because they were much more familiar with some phases, what they wanted and, of course, the department was familiar with what the law would require. So I changed the procedure. Instead of having a marketing agreement and license, I developed the concept of a marketing order, which would be drawn up by joint effort of the industry committee and the department. Then that tentative marketing order would be submitted to a hearing and, thereafter, in final form would be issued out for the vote. So that was a change.

Then the next big change I had to figure out in my mind was to cure the defect of the California Marketing Agreement Act with respect to the legislative standards. These are standards which would guide the Director of Agriculture in the approval or disapproval of any program. This was pretty complicated, but I based the standards upon the concept of using the powers of the law to develop an adequate income to the affected farms,

so they could continue to produce food. There were a lot of other minor details, but in any event, the responsibility was handed to me that Friday afternoon, about half past four, to try to get a draft of a marketing order certainly no later than Monday morning because it had to be typed, and so forth.

I worked until midnight on Friday, all day Saturday until midnight and all day Sunday until about 6:30 or 7:00. By that time, I was able to put together a longhand copy of what later proved to be the California Marketing Act of 1937. It was typed on Monday and on Tuesday copies were handed over to George Sehlmyer of the Grange and also to W.C. Jacobsen, who was then the assistant director of Agriculture, and who represented the department before the legislature. I was told a little bit later that it was introduced first in the Senate, and all members of the Senate Agricultural Committee went on as sponsors of the bill.

Who was the principal sponsor?

George Sehlmyer, Master of the State Grange. I seem to recall also that the Chairman of the Senate Agricultural Committee plus two or three other Senate members were the principal sponsors in the legislature. The Chairman's name was Senator Bradford Crittendon from Stockton.

Senator Bradford Crittendon?

Yes. Bradford S. Crittendon was the Chairman of the Senate Agricultural Committee. Then there was another Senator from San Luis Obispo, whose name I cannot recall at the moment.

What happened in the legislature?

Apparently there weren't very many objections found in the bill. The only change that I recall was made in the text of the bill, which was very minor, and that was that I had used when dealing with money the term "funds." This word was changed to "monies." It was explained to me later that the term "funds," in California state law, had a special meaning and that it would not be appropriate to use that term when dealing with cash. That became apparent to me in later years. But anyway, the entire Senate Agricultural Committee went on as sponsors of the bill. With the help of George Sehlmyer from the Grange and without any objection from Jacobsen of the Department of Agriculture, it passed the Senate very promptly. It went over to the Assembly and it passed there quite promptly, was given an urgency status, and it became effective in the fall of 1937. It was called the California Marketing Act of 1937.

How did you handle the conflict on advertising and trade promotion?

Answering your question with regard to the advertising and trade promotion in the drafting of the language, it seemed to me that the position of the California Fruit Growers Exchange and the Walnut Growers was not entirely sound. Advertising and trade promotion was needed very badly by the fruit growers and vegetable growers in the northern part of the state

or, you might say, throughout the state of California, especially by those who were not organized into cooperative marketing associations, so in drawing up the language I made it optional— the same as any other regulatory provision such as surplus control, grading and inspection, and so on. Any marketing program could contain any one or all of these provisions depending upon the needs of the industry at the time. It seemed to me that if the citrus industry or the walnut industry didn't want to have advertising and trade promotion in this document, they didn't need to include it. So I made it optional and that's the way it was drawn, and that's the way it was passed.

What were the basic differences between the California Marketing Act and the Prorate Act that you spoke about earlier?

Well, the Prorate Act was drawn primarily to control surpluses. It did not have provisions for advertising and trade promotion. It had a very weak provision with regard to grading and inspection, and it seemed to me that the very thrust of that particular act was to control surpluses. This was to be done by the Agricultural Prorate Commission, establishing a program which would limit the amount of the product that each producer could market as free tonnage. Then there was a control placed upon the control tonnage, that is the percentage of his product that could not be marketed as free tonnage. This had to be placed in some sort of a surplus pool. That was one of the features that eventually caused a great deal of trouble and in the end was one of the main features that caused a complete change in the act.

Were there any basic differences in the procedures to put things into operation under the Prorate Act and under the Marketing Act?

Oh yes, there were very great differences. Under the Agricultural Prorate Act, the producers would sign a petition to the Agricultural Prorate Commission, which had been appointed by the governor, asking the Prorate Commission to develop and put into effect a proration program containing certain provisions. The drafting of this program was largely left up to the Prorate Commission itself, because there was very little producer participation in the drafting of the final document. Quite a bit of the desires of the growers had been incorporated in the petition which came to the Commission, but the actual drafting of the document was left to the Commission, and after a public hearing it was put into effect.

What was the involvement of the handlers in the two different acts?

Once the Commission had put into effect a proration program, the handlers who might be involved were required— for example, those who were receiving the product— were required to comply with the terms of the document in so far as these were spelled out in the document. But the handlers did not participate in the drafting of the program or in the administration to any great extent.

After the hearing, isn't it true that in any marketing program under the Prorate Act— later called the Agricultural Producers Marketing Law— there had to be sign-up of producers to vote, also?

I don't recall any vote on the part of the producers after the document had been drafted by the Prorate Commission. The so-called sign-up was accomplished by the petition, which was prepared by the growers to the percentage extent that was required by the act. Thereafter, the Commission drafted the document.

As to the other side of the thing, under the California Marketing Act upon the request of an industry, the Department of Agriculture would ask the industry to set up an industry committee to work with the Department of Agriculture in the drafting of a program. A marketing order program would be prepared and when a tentative draft, agreed to by the Committee and the department, had been prepared, then the department would proceed to develop a list of producers and also of handlers, if they were also to be regulated. Then the tentative draft would be submitted to the producers at a public hearing, and there would be a substantial amount of input from producers and, of course, from handlers if they were also to be regulated.

There was also a requirement for a positive vote. In the early draft, following procedures that we had before us, I think the vote required was 75 percent by number and by volume, in the first act. That was modified subsequently and, of course, it ended up finally with a vote of 65 percent of the number with 51 percent of volume or 51 percent of number with 65 percent of volume. That, with some variations, I believe, in the areas of canning fruits and vegetables— the canners insisting on 65 percent of number and by volume with some variations— but those percentages have remained.

Were the marketing agreements and orders, under the California Marketing Act, mostly a joint handler, grower, or were there any just grower-operated?

Under the California Marketing Act, in the early years, they were pretty much all joint operations, such as with canning peaches and canning asparagus. There were things for the producers to do and things for the handlers to do, and it operated pretty much on the joint basis. Later on there was some inclination on the part of producers who wanted to have a section of the law that would permit them to have just a producer program, without any participation of the handlers. And there was some thought on the part of handlers that they would like to have just a handler marketing order, and these changes were provided by amendments. I do think I should point out that the first draft in 1937 went through very quickly.

I think it was found that the 75 percent requirement of producer sign-up was altogether too restrictive. As a matter of fact, the change in thinking occurred to a large extent in the minds of members of the legislature and in the legal fraternity. Originally they said, "You simply have to have a very high proportion of the people sign up or you won't have an enforceable document. But their ideas changed and all of our ideas changed, and finally it ended up with a 65 and 51 or 51 and 65 percentage and those

were considered to be adequate. Then, of course, as you all know, later on another provision was added. Provisions for research were included in the California Marketing Act. That was a little bit different. The dean of the College of Agriculture, when he saw the language authorizing such programs, insisted that all such research work must be done by the University of California. The amendment finally applied to research on production problems.

Were there differences between the so-called assent procedure and referendum procedure under the Marketing Act?

Later on, while I was still in the department, there was a request made by some producers to the Director of Agriculture, who at that time was, I think, Bill Cecil. This request was to the effect that there must be a referendum vote of some sort on any of the marketing orders that were on a continuous basis, that is, those that didn't have a termination date of their own. The original proposal was that there must be a vote every year, but that idea fell because it became too disruptive and too expensive for producers to undertake such a thing. Eventually, I believe, it ended up so that it had to be done every three years. There had to be a vote every three years by a referendum and that was simply a vote of yes or no, whether the producers wish to have the program continued over a period of time, much simpler than the assent procedure.

My question dealt with the initial approval to put a marketing order into operation. The referendum method versus the assent method. Were they both provided for in the original act?

No. In the original act there was just the assent procedure which, of course, was a change from the original concept in both the federal and state laws of 1933 and 1935. These had the individual producer signing a marketing agreement. Then when the director found that they had signed these agreements to a certain specified percentage, he was authorized to issue a license upon the handlers of the product, which required them to comply. But this was so cumbersome because we had to issue out to all growers of the product a document for their signature. Sometimes it amounted to 15 or 20 pages of material. This method was too cumbersome, and in subsequent years most of the various kinds of marketing programs provided the new procedure which we had put into the California Marketing Act of 1937— that is, the marketing order concept.

The assent procedure was similar to a petition was it not, when it was issued for approval to get the signatures of growers?

To some extent. The petition thing they had in the Prorate Act was primarily to ask the Agricultural Prorate Commission to develop a program. It was not an approval on a final document; it was a request to develop a program, whereas in the Marketing Act the document was in final form and it was an approval on a final document. Once that document was set out in final form for assent by producers and by handlers, the Director of Agriculture could make no more changes in that document. Whereas with the petition

provision, the Agricultural Prorate Commission could write up pretty much any kind of a document they chose, providing that it covered the things that the producers had asked for.

I was trying to get on the record the difference between the assent procedure and the vote, the mail vote. The question is, really, isn't it true that on an assent method, that's the producer or the processer, whoever would be regulated by the marketing order, did not file the written assent— that would be the same as a no vote. Failure to file assent was the same as voting no. It wasn't neutralized; it would be the same as having voted no. If you wanted to vote no, you didn't file an assent. If you were in favor of the program and failed to file an assent, it was the same as a no vote.

It still is a no vote, whereas, of course, in just a simple referendum vote you could vote yes or no, if that is the point you wish to bring out.

That's what I was trying to get at. When was the voting procedure put into the law to initiate a marketing order?

The referendum or voting procedure was not in the first act.

I'm talking about the vote.

The referendum— I can't give you the year on the referendum method, but it came along during the time when W.J. Cecil was the Director of Agriculture. I can't remember the year, but he was the one who listened to some of the farmers and they wanted to do this every year. Finally it ended up with a referendum procedure every three years, if I remember correctly, and that was what you call a voting procedure, a yes or no vote whether to continue the program.

That would be around 1941 or 1942 with Cecil. My question is, when was the voting or referendum procedure provided to initially put it into effect?

That was to come much later. I really don't recall just when there was authority given to put a document into effect with a yes or no vote. I can't recall having that situation. The only thing I recall was a question of whether there was need for a referendum procedure that was designed to either continue an existing marketing order or to stop it.

We could check the records. I would guess it was in the 1940's.

It could be. To continue, we now have the California Marketing Act in effect. In 1937, as you know, the Desmond Milk Act went into effect and we had to set up a section of our Bureau to take care of that.

And that was with respect to milk?

That's right, but I just want to be consistent. The second big thing that happened, now this is 1939, was with regard to the Agricultural Prorate

Act. You will recall that the Agricultural Prorate Act was handled by the Agricultural Prorate Commission, which was a state agency outside of the California Department of Agriculture. They had their offices in the same building. They were on a higher floor than we were. We had paid very little attention to it, but there seemed to be all sorts of frictions coming up.

I assure you that it was not anything from our standpoint. I recall, however, that there must have been frictions in the higher echelons because, as I remember, one time we had an invitation to attend a prune marketing meeting in Berkeley. When I got there I found out that there was a group of 12 or 15 leaders in the California prune industry and there were to be explanations made to them by a representative of the Prorate Act, and I was to represent the California Marketing Act.

Before I went down there the Director of Agriculture, Anson Brock, said, "Now, Bill, I don't want you to talk these people into a marketing order." It had never been our policy to try to talk any group of farmers into having a program. We never made a move on any program, unless there was a request from the industry people themselves. So I simply said, "Well, we are not permitted to do that under the law so you don't need to worry."

I made the presentation as we were requested, answered the questions, and left the meeting. Subsequently the growers voted to have a proration program. But to get back to the central theme, by 1939 there kept coming to us constantly, objections that were being made to the Agricultural Prorate Act itself and to the administration of the act. And there was some reflection from these criticisms with respect to all marketing programs. We were being subjected, sometimes, to criticisms which really did not involve the Marketing Act.

What was the nature of these criticisms?

The criticisms were really criticisms of the Prorate Act, but anyway, there were a whole series of law suits going on upon programs under the Prorate Act. There was a law suit on raisins. There was another one on olives, and a number of the programs had been terminated under a good deal of hostility. We took no part in it.

We had nothing to say, but sometime in 1939, while the legislature was in session, W.C. Jacobsen came to me and said, "There is a bill in the legislature to terminate the Agricultural Prorate Act." He went on to say, "Some of the people are in favor of the act, want us to redraft that bill, redraft that act and straighten it out to remove some of the objections. Will you help me to redraft it?" I said, "Well, sure. Have you any suggestions?" He said, "Well, no, I don't have anything. They simply don't like the way the act is written and they don't like the administration of the act."

So my thought, immediately, was that since we had no real problems with the California Marketing Act, with its provisions and with its procedures, my thought was to amend the Agricultural Prorate Act sufficiently to provide

approximately the same procedures for instituting a marketing order. Also, my thought was to put into this act about the same regulatory provisions that we had in the California Marketing Act, but to make it all apply to producers alone. Well, I did so. I redrafted the Prorate Act and it was called the Agricultural Producers Marketing Act. It went over to the legislative committee which had been working on it, was passed and became effective that year.

That was not the whole story. In redrafting it we did away with the Commission, of course, because we didn't need that Commission to draft the document and it was necessary to bring all of the proration programs into the California Department of Agriculture under our administration. That's when the fireworks began. Right from the Prorate Commission itself, after the act had been passed, there were some fireworks, especially from the hired help in the Prorate Commission. But then we had the problem of trying to carry out what had to be done with regard to each one of the remaining proration programs that were in effect. This proved to be very difficult in some instances, and in other cases quite satisfactory.

As I mentioned some time ago, there was a grape program and the surplus grapes, grapes of all varieties, the surplus of those was made into brandy and high proof. If I remember correctly, there were five and a half million gallons of high proof and 11 million gallons of brandy. There was an agency in San Francisco that was responsible for disposing of that brandy and high proof. The high proof was sold very quickly to the wineries in the state, but then we had the problem of helping the Board to dispose of 11 million gallons of pretty good brandy. At $.96 a gallon, I think some of it went. Some of it went at about $1.25, or perhaps a little more. The price improved, as some of the gallonage was disposed of, but the interesting thing about closing up that particular program was that we were told later that the return to the grape growers from the sale of this brandy ended up by their getting more for the surplus grapes than they got for their free tonnage grapes, which they had sold in the fall.

Another program was the raisin program, and it gave us a good deal of difficulty for a rather short time. The meetings were set to consider what to do about the raisin program. They were set in several places at the one time, one night, and the Director of Agriculture, Bill Cecil, took the program in, I believe, Modesto and I took the meeting that was to be held at a small town west of Fresno.

Kerman?

Kerman, that's right. I had forgotten it. I don't know what happened at the Modesto meeting except that the Director of Agriculture was shouted down and he left the meeting without accomplishing anything. There was that much friction there and it could have happened in the meeting that I had at Kerman. As I walked up to the high school, where the meeting was being held, there was a circle of about 30 or 40 men shouting and one little fellow was shaking his fist, and when he saw me come in, he turned around and shook his fist at me. I didn't pay any attention. As I walked on into

the meeting, I turned around and said to this group, "Well, fellows, we are going to start the meeting pretty soon, so come on in." They came on in and sat down.

They came on in and sat there as I opened up the meeting. I had just said a few words, what we were going to do and, you might say, to make plans to close up the thing. One little fellow, right up in the front, jumped up, shook his fist— he was the one that was talking to the group outside— and he shook his fist at me and said, "We don't want no prorate!" I said, "Well, now, if you'll just sit down, we'll take care of all those things, so don't you have any worry." We went right on with the meeting. He stood there kind of half confused for a while and then he sat down, and we went on with the meeting. Before we got done with it everything was really quite good. We proceeded with the business at hand and that's the way the program closed up, except that there was a law suit which had been filed, and it finally went all the way to the Supreme Court.

The suit had been filed earlier than that meeting. That's Brown versus Parker?

That's right, and that was pending, and couldn't be handled by us. It had to go through the regular court procedures. I don't know the exact timing of the filing of the suit, how far it had gone at that particular time. Anyway, that's the way that one was finally cleared up, but there were other programs. There had been other programs that were in effect under the Prorate Act, like on apples. There had been one on cling peaches, but we knew practically nothing about that one. They had all been terminated. So our job, essentially, was to clean up the situation, to terminate all these programs that the growers didn't wish to have continued. There were some that they wanted to continue, so we did that, as well.

The head of the Prorate Commission was Edson Abel, was it not?

He was the legal counsel and the secretary. He did most of the drafting of the documents.

But when it moved into the department he did not come with it?

No. Well, there was an advisory commission which continued so long as we had any proration programs to finish up. But it was terminated afterwards by the legislature. It appeared to be a very difficult transfer of authority, but ended up quite peacefully.

Earlier you said that the Agricultural Prorate Commission was eliminated when the Agricultural Prorate Act was changed to the Agricultural Producers Marketing Act, and brought into the department. Just now you mentioned the matter of the advisory commission. There was, in recent years, until it was terminated in the late 1960s, an Agricultural Prorate Advisory Commission. When was that act for the advisory commission instituted?

It was put into the 1939 act. I'm glad you brought that up, but you see the function of the first Agricultural Prorate Commission was to draft the

document and put it into effect. Now, of course, when the act was brought to the Department of Agriculture there wasn't any need for the Agricultural Prorate Commission. That job was to be handled by the Department of Agriculture. But there was an advisory commission with regard to these various programs. They were in addition to the concept of a vote upon the program or a modification of the program with an assent procedure. That procedure was drawn from the California Marketing Act, which had been passed in 1937.

Are you aware that the Agricultural Advisory Commission was terminated as a result of the 1967 legislation?

No, I didn't know that.

Earl Coke was director.

Oh, was he at that time? I didn't know what had happened to him. The concept of an advisory commission, as I recall, was similar to, you might say, an advisory board, an agency with the Department of Agriculture. Our bureau could consult them with regard to the particulars of the marketing of all these different products. That was what was back of all this advisory board business and the industry committees to help in the drafting of the program. We in the department, in the Bureau of Markets, could not presume to be familiar with every phase, every detail, of the marketing of each one of the separate crops, and other crops in the state of California. It's altogether too diverse and there are too many details, so we needed to be able to consult with the people who were thoroughly familiar with the marketing of their particular product.

Isn't it true that that's not only important in the drafting, but in the administration?

Exactly, and I think that's been a sound program.

How about the first marketing order under the California Marketing Act? What commodity was that, and how was the act used and developed over the years?

One of the first commodity groups that asked for a marketing order was the California Cling Peach Growers Association. W.J. Edinger was the manager of that association, the California Canning Peach Association. We worked with him in developing a marketing order for the 1938 crop. I think we first worked on it in 1938, early spring of 1938, but there was still a great deal of difficulty between peach growers and peach canners in 1938. If I remember correctly, they did not get together on a marketing order in 1938. I remember that they were only a few thousand tons apart of what they considered was the proper tonnage to have for that year. The canners claimed that they had a very large carry over and the crop was a little larger than what the canners had said that they wanted. At that time, we were dealing with a 350,000 ton crop of cling peaches, and I think the difference of opinion was over 25,000 tons of cling peaches that were to be used for pickling.

Wasn't that the year where the price of cling peaches dropped from something like, say, $40 a ton in previous times to $8 a ton for 1938?

That's correct. As I say, there was a difference of opinion over about 25,000 tons. At that time the cling peach growers were not too sure of their figures and, of course, the canners were very sure of their figures as to what the 1938 crop was. So they couldn't get together. I remember the meetings that were held. The growers had been hoping to get approximately $40 a ton for their crop that year because they had some information that the cost of production that year could be about $40. But no program at all was agreed to on the 1938 crop of cling peaches, since the growers had in total, all together, a few thousand tons more peaches than the canners had said they wanted. The market price kept falling until most of the uncontracted crop for peaches went for somewhere around $7.50 to $8.00 a ton. Where the canner and grower had a contract the grower received a somewhat higher price than that figure. Many growers took heavy financial losses. Some had trouble borrowing from banks the next year.

Thereafter, there was a great demand from the standpoint of the growers that they have a better method of estimating the crop of peaches. That idea spread through some of the commodities groups, too. There was not really what you might call a criticism of the method that was being carried on by the U.S. Department of Agriculture. The crop and livestock reporting systems were not necessarily being criticized. It was simply that where there was a marketing order that had something to do with the control of surpluses, there was a feeling all around that the information, the estimate of tonnage, had to be about as exact as possible. Otherwise there would be injuries to either the producers, the processers, or the consumers. And in subsequent years there was a very strong move made to develop a better system of estimating the crop of peaches and perhaps some other crops. Actually, it was worked out by the University of California with the assistance of the Cling Peach Advisory Board, supported by the state Department of Agriculture.

Were there some other developments or phases of the Marketing Act that might be a good idea to cover?

Well, I think one of the important things that should be covered is the fact that very soon after the California Marketing Act of 1937 became effective, the fresh pear industry developed a marketing order to control intrastate shipments, and very shortly after the document became effective one of the large shippers of fresh pears challenged the accuracy of the vote which had been prepared on the basis of the lists that had been submitted.

The department did the best it could in developing full lists of fresh pears growers, but we were not certain that we had obtained all of the names that should have been included in the list. In a very short time we found ourselves in court, and in the end it developed that the lists that we had used as a basis for the vote procedure were inadequate, and the court found it necessary to terminate this particular marketing order. At the same time the court suggested to us that perhaps that particular provision of the law

should be strengthened. In the 1939 session of the legislature we developed the concept of requiring the handlers, whether they were fresh shippers or processors or whatever, to submit to the director, at the appropriate time, a complete list of the names and addresses of the growers from whom they had received and handled the particular product for that previous season, and the quantities of that product that each handler had handled for that grower in the previous season.

This was a mandatory provision in which the director sent out a notice to each of the handlers to file this within so many days, and the department prepared the final list for the voting procedures from the summation of all these lists submitted by the handlers. That particular provision was approved by the legislature and it went into effect in 1939, and it is still in the law. It seems to work very satisfactorily. That was a very important amendment that was required.

Are there other amendments that you would also like to comment on?

Yes, there are. Since that time there have been some other amendments that I feel were quite acceptable.

Perhaps the most important of these amendments was the one to authorize each industry that wished to do so to carry on research programs. The provisions of the amendment provided that the research work could cover problems of production or processing, or even the marketing of a particular crop. As far as production was concerned, the dean of the College of Agriculture insisted that all of that work must be done by the College of Agriculture. But that was modified just a little bit to provide that they would do the work insofar as they had specialists who were in the position to do that kind of work.

Work on processing problems and also on marketing problems could be handled or contracted for outside of the University of California. I am informed that in recent years, perhaps since I retired from the department, that the research work has become a very popular provision in the marketing orders, and that there has been some very commendable work done along this line. I would say that those were the major amendments that have been put into the law, but, of course, in each session of the legislature there have been what I call "improvement" amendments. Improvements made to facilitate or simplify this or that provision, or to facilitate its enforcement, are the function of these kinds of amendments. Most of the provisions of the California Marketing Act have been tried out and are now considered to be workable, as well as meeting the general legal standards.

How about obtaining a producer list in the marketing order that is strictly a producer marketing order, where the handlers are not regulated?

The law provides that the authority would remain the same. The director has the right to require the handlers to provide this information.

This was a later amendment?

I think it was, yes. You have to keep in mind that to begin with, most of the marketing orders were joint operations between the producers and the handlers. Later on, however, there developed a tendency or a need to have strictly producer programs and also strictly handler programs, depending upon the types of things that each segment of the industry may wish to carry out.

Are you aware, Bill, that at least in recent years processing research also has to be done by the university, or receive approval by their vice president for agricultural sciences?

No, I hadn't heard of that, but I knew that the University of California was very anxious to carry on the research work. There wasn't any opposition to it. The only thing was that at the time the marketing act was made effective, the college was primarily prepared to carry on production research.

Are you aware that there is a provision in the law that once a marketing order for research has been established, even if the marketing order terminates, there are procedures by which some research activities can continue beyond the life of the marketing order for a total period of as much as 10 years?

No, I hadn't heard of that. But it speaks quite well for the need for this particular type of program. Of course, when we drafted the California Marketing Act in 1937, I couldn't envision all of the ramifications that have developed since with respect to each of the regulatory provisions, and other things that have come about.

We haven't said much about finances.

There are many provisions, but I do think we ought to explain more thoroughly the financial provisions of the law. When the marketing act was drafted, it was believed that monies would be needed for at least two different types of activities: one was for general administration purposes, and for that, provisions were put into the law with a limitation of 1 1/2 percent of gross dollar value of the products handled or sold under the marketing act. And for advertising and trade promotions, it was generally agreed that twice that amount, or 3 percent, would be the maximum limit on assessments that could be levied.

At that particular time there was some disagreement among producer groups; one or two cooperatives felt that the money derived from the marketing act should be handled by the boards themselves, rather than to be paid into the state Department of Agriculture. They were fearful that these monies would perhaps be mingled with state funds, and they were apprehensive over the problems that might arise in getting their monies out of the department or out of the state treasury. Then there was another group which insisted very strongly that the money should be handled by the Department of Agriculture, but placed in a special trust fund which would be available only to the marketing groups that had supplied the money. Then those monies could

be used only for each of the marketing programs from which the money was derived. This later proved to be a very, very important provision. In the end, I drafted the 1937 act to provide that the monies that were to be brought in from assessments from producers and handlers would be turned over to the department. Those monies were to be placed in the special trust fund that was to be handled by the department and used only for the purposes of each marketing order. And that was a fortunate provision. As we found out later, I think there were two attempts made in subsequent years to force the mingling of marketing act money into the general funds of the state of California.

There were amendments that were introduced into the legislature to try to place the budgets of marketing act boards into the Department of Agriculture budget, and to require legislative approval for each of the budgets for each of the marketing orders. Such amendments were actually introduced into the legislature! But of course the difficulties of carrying out such a thing became apparent immediately, and they failed passage. Some of these amendments were devised by the state Department of Finance. There was an attempt at one time just to use the monies from the state Marketing Act fund to meet some of the obligations of the state. It was necessary for us to point out that under the terms of the law those monies could be used only for the administration and enforcement of the particular marketing order under which the monies had been derived. So it was very fortunate that the language was in the act. Otherwise there would have been great difficulties.

Did you outline fairly precisely the functions of the boards and how they were selected?

For the most part, the number of persons on each board was something that came up from the industry itself and was largely dependent on the different types and different status of growers. For example, in the industry there were cooperative associations and individual growers, and the area of the district from which they might come, and so in each marketing order there was a special provision that provided for the number of districts that would be set up and the number of persons from each of the districts. The act provided for the department to conduct nomination meetings in each of these districts to nominate a member and alternate member from each of the districts. Then the total of all of the reports from each of the districts was submitted to the department.

A list of the highest nominees from a vote was taken at the meeting, and the actual number of votes for each of the members and each of the alternates was submitted to the director. From that, between the Bureau of Markets and the director, there would be selected the members of the advisory boards and the alternate members of the boards.

Who selected them?

The documentation was prepared by the Bureau of Markets, but all of this material was presented to the Director of Agriculture for his action. I should point out that in no case did any of us know the political affiliation of any

member of the board or his alternate. We paid no attention to that. The members of the board and their alternates were selected on the basis of the votes and their general standing in the community from which they had been chosen. So it was strictly nonpartisan as far as we were concerned.

The final appointment was made by the director of the department?

Oh yes, and according to the law. The final appointment was made by the Director of Agriculture.

Wasn't that selection process called "preference voting" on the part of the constituency for a particular position on the board?

Yes, they called it that. We made it plain that for legal and constitutional reasons, the nominations which were made by growers at these meetings were not the final appointment of the person. The actual appointment, according to law, had to be made by the director. But the director would certainly give great consideration to the wishes of the industry in each case, and that's the way it has worked out.

Yes, I would agree. I think that what you are saying and what we are all saying is that there was no consideration given to partisan politics, and only in rare instances did the director not appoint someone because of lack of eligibility or conflict of interest, which may not have been known at the time of the voting out in the district meetings. These are the only ones I can recall.

Well, we knew nothing about the partisan politics of any member of the board or alternate member. We paid no attention to it. There was no discussion with the director about it at the time the appointments were made. But the only time I remember such a person was disqualified— I mean, a person who received a nomination or preference vote— was because it turned out that he was not a citizen of the United States. This was required by other state law, not the Marketing Act. It just happened that no one seemed to remember it or knew about it. We knew nothing about it. When it developed that he was not a citizen, the director was required to make a change.

I recall that instance, and I also recall an instance where somebody turned out to be also a cannery field man as well as being a producer, and that was a conflict of interest.

I had not heard of that, but it would be. It certainly would be.

To put a marketing order into effect required certain findings by the Director of Agriculture. Some of the findings have been referred to as "soft findings" and some of them have been referred to as "hard findings." Could you describe the difference and the purpose, or the intent, of the two different types of findings?

I don't seem to remember too much about the terms "soft findings" and "hard findings." Actually, I think many people overlook the meaning of

some of the findings which the director was required to make. I say this because there has been a tendency in recent years to think that if an industry asked for a marketing order, and the director is generally friendly to agriculture, he just puts the marketing order into effect regardless. But this is positively not true!

The director must make certain specific findings of fact before he can proceed. He has to make a finding that a specific marketing order has been assented to in writing or approved to the extent that this is required by the statute depending upon which voting procedure was used. But the director also has to make some economic findings. He has to find that the marketing order is designed to carry out and to correct these specific marketing problems which have developed or which existed in the industry and which were elaborated upon at the hearings. The provisions have to be reasonably designed to accomplish the purposes, and the net effect of the whole would be not only to correct these difficulties but would tend generally to enhance returns to growers, to bring them to a reasonable level so that they can take care of their business requirements, pay their taxes, and so forth. But— all of this without undue burden upon consumers.

You were asking me to comment with regard to what you call "soft and hard findings. In other language, it was called the "lesser" and the "stiffer" findings. The stiffer findings had to be made by the director in the event the marketing order contained provisions for limiting the total quantity of a particular product that could be marketed in a given season. It is my opinion that this type of finding was necessary. Some of the marketing orders contained provisions simply for regulating the grade and size, or advertising and trade promotion, or research. But it was believed by everyone that when a marketing order contained provisions which might tend to limit the total quantity of the product that might go to market, and thereby modify prices to processors or eventually to consumers, there must be a very strong reason for using these particular provisions of the Marketing Act.

So there were written into the Marketing Act two types of findings which the director would make. In the event there were provisions limiting the total quantity of the product which would go to market and thereby perhaps affect consumers, the director was required to make a finding that these provisions were positively necessary in order to bring about a pricing situation which would enable a sufficient number of producers to stay in the business and to continue in a reasonably satisfactory and financially healty situation. The net effect of these regulations would not impinge upon consumers to any greater extent than was absolutely necessary in order to bring about this level of return to producers.

And to supply the normal requirements to consumers?

Oh, yes. Of course, to make sure that there was enough of the product always, unless there was a short crop. But when the marketing order contained provisions only for regulating the flow to market from time to time and for grade, size development, advertising, research and things of that sort which did not have any definite effect on consumers, the director was allowed to make what we called the "lesser" findings. These were to

the effect that the provisions of the marketing order would tend to carry out the purposes of the act, and that these provisions were designed to accomplish what was intended.

To correct the marketing problems concerned?

Yes, as I stated earlier.

I have one question, Bill, regarding the matter of financing that perhaps you could shed some light on. You hit some of it earlier. I recall that there was no provision for handlers to collect assessments that were on producers only under a producer-only marketing order. The way the law was written, the only way to accomplish this was to bring handlers into the marketing order and consider them regulated when, in fact, the handlers were not really regulated otherwise by the program except that they could then be able to participate on the board, vote on the marketing order prior to that, and then deduct from producers the money they owed producers, deducting from that the assessments paid into the marketing fund held in trust by the state. Do you recall when this area was changed so that handlers didn't have to be a party to the marketing order to collect this money?

I think what happened was that in the early days of the marketing act most of the programs were joint producer-handler marketing orders. But later on, there developed requests from producers to have strictly producer programs, and from handlers to have strictly handler programs. So that particular deficiency of the law did come up, and it had to be amended as you have indicated. Provisions had to be inserted into the law to provide for this purpose only. Handlers would be required to make the deductions from the checks from producers in order to take care of the financing of producers' orders.

As I said a little while back, there were lots of these smaller amendments that developed from time to time, and most all of them have been very helpful in carrying out the provisions of the laws. It just simply wasn't possible to anticipate all of the things that might possibly happen in later years. Basically, the principal provisions of the act still prevailed and worked out pretty well.

As I recall, this amendment was made late in the 1950s. Is it true that this had not been a problem to any great extent for the prior twenty years because most marketing orders were joint producer-handler orders?

That's right. I think the first demand for a strictly producer marketing order came at a time when some people in the cling peach industry— I think it was in the California Canning Peach Association— had an idea that they wanted to develop a strictly producer marketing order. In fact, there was a demand for a strictly producer program. It was the cling peach industry that requested this to start with. But there was a good deal of disagreement over the thing, and there ensued a very intense effort on the part of both the peach association and the canners to put more cling peach producers into business.

Each side seemed intent on trying to get enough producers on their side to affect the vote that would be required for a strictly producer program. The canners were intent on making sure that producers could not get it. It was a very unfortunate occurrence in the cling peach industry because it resulted in a very substantial increase in the acreage of producing cling peaches and ended up with a surplus that had to be eventually eliminated by other means. Do you have any further question on this?

Well, one other question that I think ought to be brought up concerns this financing assessment about the regulation of having handlers collect the money. Isn't it true that there might be 20 or 40 or 70 handlers in an industry, but there are many, many hundreds of producers or even thousands of producers in an industry, and that it would be a very costly procedure if assessment were to be collected directly from producers, whereas by going to what was known as the "narrow end of the funnel" and having handlers collect it— who were in the process of paying the producers— they could just simply deduct the assessment funds from producers and send them to the Department of Food and Agriculture, or the Department of Agriculture, as it was called then?

Oh, yes. I think that as a matter of fact, right from the beginning of the Marketing Act, the thought was to have the handlers deduct the assessments from the monies which they owed the producers. That's the same thing which was provided when there was a demand for a strictly producer or strictly handler marketing order. That's the simplest way to collect the money. It would be almost impossible to try to collect assessments individually from each grower. That would require a lot of field work when you have thousands of growers. It just doesn't work out.

Could you give a general evaluation of the Marketing Act?

Sure, but one has to consider that I might just be slightly biased in a matter of this sort.

Well, from your point of view.

Well, that's what I would propose to do, and I think I could do that, having been away from the department for a long enough time so that I have had an opportunity to think about these things.

Before we get into that— you talked about administering the law from the beginning until your retirement. We know when that "beginning" was, but I don't think we have noted when your retirement was.

I retired from the Department of Agriculture as chief deputy director in December 1963. But from the time that I left the bureau as chief of the bureau and became division chief, my immediate responsibility was the day to day operations. Details of activities began to fade away into the distance. The further away from immediate handling of the problems we had in the Bureau of Markets, the more inclined I was to forget details, because you just simply couldn't remember them all. I did keep in pretty close touch

with amendments to the law, although a department official, Donald Weinland, handled most of the contact with the legislature, and the handling of the legislation that was presented to the state legislature. While I was in the department I took upon myself the handling of amendments to federal legislation, which hasn't been discussed here at this time. Perhaps we'll have an opportunity later on.

But you still had the overall administrative responsibility for the department until the time of your retirement?

Yes. I was supposed to be the man who followed closely the activities under the marketing laws— in fact, all of the marketing activities. But as the duties became wider in scope, I wasn't able to give as much attention to particular things in the Bureau of Markets or in the Bureau of Milk Stabilization as I did earlier.

To speak to the point of evaluation, it seems to me that I must say to begin with that the people who think that marketing problems in agriculture began with the Great Depression of the 1930s simply haven't done their homework. Many of the problems of surplus control and grading and inspection, and many of the other problems which we have been discussing here under the Marketing Act had already developed even before the 1920s. To meet these problems, producers all over the United States, and especially in California, had formed cooperative associations which were working on these problems. When I worked with the Division of Cooperative Marketing in Washington with fruit and vegetables cooperatives, and later on the grain cooperatives throughout the grain areas of the country, we were concentrating our efforts on many of these problems, trying to find out what could be done.

What could we do with regard to the prices of wheat? What could be done with regard to the quality of fruits and vegetables that were reaching the markets in the United States? We had two great developments during that period from 1923, when I went with the department, until the Farm Board came along in 1928. There was one group of cooperative associations such as Sunkist and Walnut Growers, Land O' Lakes creameries, and the Dairymen's League in New York that were set up primarily to improve the marketing of the particular products which they had. They did quite a bit of work not only on the improvement of quality, but also in brand advertising, and so forth. But they did not get into the proposition of trying to control the surpluses or trying to affect price by means of volume control.

The second type of activity was confined to such crops as wheat, cotton, tobacco, and some other products. There was a great trend from the 1920s on to 1930, and up to 1933 or 1934. There was a thought that if cooperative associations could be developed which controlled all or a very substantial proportion of a product, it would be possible to affect the market price. So a number of these organizations were set up.

The first one under the aegis of Aaron Sapiro, an attorney from San Francisco, was the Canadian Wheat Pool which began in the early 1920s— I have forgotten whether it was 1924 or 1925. At one time it had control of

about 80 percent of the total Canadian wheat crop. Another one in the United States was the Grain Stabilization Corporation, the Farmers National Grain Corporation, which I mentioned had taken over the Northwest Grain Association, and a number of other regional cooperatives, in an effort to try to concentrate the volume of wheat into one organization which could, by that volume, affect the price of wheat. That particular development went on and was actually fostered and supported by resolutions and actions of the Federal Farm Board after they came into operation in 1928.

There was a time when it was thought that this type of organization was going to be successful. But in the early 1930s the Canadian Wheat Pool found itself in very great difficulty, having advanced, say, 90 cents a bushel on Canadian wheat when the price dropped to 80 cents per bushel. Finally they went broke and their provinces had to make up the difference.

The Farmers National Grain Corporation and the Grain Stabilization Corporation in the United States, under the aegis of the Farm Board, attempted to control the price of wheat by the technique of buying grain futures on the futures markets of the United States, Chicago, Minneapolis, Duluth and so forth. Anyone knows that there is practically no limit to the number of bushels of futures that you can buy, and the result was that the price of wheat kept falling. The cost of the futures was such that eventually Grain Stabilization Corporation went broke to the extent of $14 million. This was a loss to the federal government. But the cost of buying the grain futures wiped out a good part of the $500 million which Congress had given to the Federal Farm Board for their operations.

I mention these things because too much time was given by everybody, except a few of us, to the thought that you could control price by means of cooperative organizations, even though you could not control supply. Anyone familiar with the grain trade knows that Canada couldn't do it alone, the United States couldn't do it alone, and Canada and the United States couldn't do it together— control the wheat prices. So we learned something from that, and that was that unless you could control the total supply, positively control the supply, it was very, very dangerous for a cooperative to try to hold up the marketing of a product in the hope of being able to affect the price.

You mean hold up the price?

Hold up the volume of the product going to market. Unless you could do that, unless you could control the supply, then it was very dangerous from the standpoint of cooperatives, because everyone of the cooperatives in that period who tried that scheme has since had great difficulty. Most of them went broke and out of business.

Now I say this because there was such a great surge of effort in the early times just before the collapse in 1929— 1930, to try to do it by that method— and it didn't work. We had also had some problems of establishing grades and with inspection. In working with cooperatives we found that the board of directors of a cooperative could set up a grading standard, which

was very fine. But then when it came to the business of inspecting the fruit against those grades, the manager of the cooperative had great difficulty carrying it out because individual members of the cooperative, including some of the directors, simply would bring pressure to bear upon the manager. So that particular system didn't work out well and it never has. But what is developing here is the fact that what we realized in the early 1930s, having worked on these problems, was that there had to be some method of getting a legal basis for this type of thing. Otherwise you couldn't make it work. It had to be either a federal or state legal basis in order to enforce the thing in such a way that it would be fair to all.

Now we come to the 1930s, the depression, and here we had all of these problems that we still had with the marketing of farm products. What the depression did was to exacerbate these problems— it just made the situation worse. Farmers were in financial difficulties all over the United States, and that certainly did include California. California was producing many different products to be shipped all over the United States and into foreign markets. These markets simply were not affording a sufficient price, and as a result the final return back to the grower was insufficient to enable him to go ahead and market his product. In some cases he got "red ink" after shipping some of his products. Sure, the depression crystalized, in the minds of farmers and others, the need for some sort of marketing control legislation. But the depression didn't originate the problems. That's the point I wish to make.

Now we come to 1933. There was great pressure on the Congress and the legislature of the state of California to enact legislation that would tend to make it possible to alleviate some of these problems. That's how these marketing laws came into being. You all know that after some false starts and whatnot, and provisions that didn't hold water legally or work out satisfactorily, we finally got to the California Marketing Act which contained provisions for control of surpluses and establishment of grading standards, inspection, advertising and trade promotions, control of unfair practices, and, later on, research. These provisions were put into the California Marketing Act. I stayed with the department long enough to have a chance to help various industries to put these provisions into effect to test their effectiveness on the problems of farmers throughout the state of California.

Starting with surplus control, I would say that I came personally to believe that efforts to tailor the supply/demand relationship were not too satisfactory— they were not too safe. The reason for that was the fact that we were never too sure that we had absolutely accurate information with regard to supply, and we were never too sure that we had absolutely accurate information with regard to demand, because both of these factors were difficult to obtain. There didn't seem to be any reason why. Unless there was a very great oversupply of a product, there didn't seem to be any great need to try to precisely balance supply with market demand. It would be better to let the forces of supply and demand operate in this particular field, and that would avoid any necessity on the part of the department to try to adjust supplies precisely.

Can you give an example of this?

I will give you an example— this is not a criticism of anybody— I've forgotten the year, but it was 1941 or perhaps later, and we had a grape marketing program. The grape board recommended to us that they had a surplus of 27 percent, and they wanted the department to eliminate approximately 15 percent of the grapes on the vine, drop them on the ground at that time, because there was no other outlet or use. I hesitated on the recommendation because I wasn't sure of the supply data. What we did was to send another group of estimators out, and they made tests of vines to check on the weight of the bunches of grapes to bring about a new evaluation of the crop. When the facts were in, we found that we hardly had a surplus of any kind, so the order was never approved.

It was fortunate for the department and for me as chief of that bureau that I did not sign that particular order. I do think, though, that the surplus control provisions of the California Marketing Act not only should be in the law, but they should be made available to some particular farm product groups in a particular season. I cite that as an example of what can happen to, for example, cling peaches. We have had situations where there was approximately the right acreage planted, the right probability of a crop coming forth to meet the demands, and then Mother Nature has come along and set a crop on those trees that was perhaps 50 to 75 percent beyond anything that was required. As a result everyone knew that if that crop and that quantity of peaches was allowed to come forth to be matured on these trees, not only would we have a great surplus of cling peaches, but it would even be detrimental to the trees themselves, and certainly would be disastrous to the farmer price of the fruit.

So there is a need. Now we all know that peach growers thin their trees in this day and age. They tend to thin off; a good commercial cling peach grower knows enough not to allow that size of a crop to come forth. They know that they wouldn't size up and that the quality would be poor. So a very high proportion of the growers will thin their trees to the proper number, but they don't all do that, and in a season when we have that kind of situation there was a tendency for a substantial proportion of the growers not to thin as they should. So we would still come through at the end of the season with too many peaches.

That is one situation, in my opinion, where the surplus provisions of the Marketing Act can be effective in such a way that all the growers must thin their fruit down to the point where we won't have that enormous crop. But we must always be sure that, considering conditions, there will be enough peaches, because the law does not permit the department to approve a program which will short the crop and thereby tend to increase prices to consumers.

I should say this: a surplus or an excess crop 5, 10 or even 12 percent didn't seem, in actual practice, to cause any great change in the pricing situation or in the supply/demand picture. That didn't seem to be the result; but there was always a possibility of brown rot coming in at the very last minute. In trying control measures, you must be sure that you will not only

have an adequate supply but a little more so, so that you won't be short. Now that's the way it was designed; that was the way it was applied from an experience standpoint.

Could I ask you a question right here, Bill? Regarding cling peaches, isn't it true that because of Mother Nature there were some years when, the crop being somewhat short, there was no need for any surplus control, but there was a need for every producer and all the peaches he could produce that year; but because of the bounty of Mother Nature in some other years, you had too many cling peaches, so to speak, and therefore, in order to have an adequate supply every year with this variation from one year to the next, you ended up with a surplus in some years. Is that point correct?

That's a point. But there is also another side to this picture. Every cling peach grower knows that if he overloads— if he allows an excess crop to mature on a tree— he not only has smaller size, but he has poor quality, particularly poor flavor, and that has to be considered, too. Even in some seasons, some growers might have some trees that were overloaded, so they did some thinning just to get proper size and to get proper flavor in their peaches.

The other question I had in this area was the following. If something weren't done on an industry basis to handle the surplus peaches, isn't it true that instead of all the producers sharing in the burden of the surplus, actually some individual producers end up finding no market for any of their peaches, because the remaining producers— let's say 80 or 90 percent— could supply the total market? This means that producers with the remaining 10 or 20 percent would have no home and would be forced out of business. And if they were forced out of business, then in ensuing years you could then have some shortages in years when Mother Nature wasn't as bountiful?

Well, this particular thing happened not only in cling peaches, but was especially prevalent in the freestone peaches. I remember some years when there were quite a few freestone peach producers who didn't have a contract with a canner and they were unable to market any of their peaches. They gave them away. They invited consumers to come into their orchards to help themselves. But this worked only locally.

We were talking about surplus control phases of marketing orders. Do you have some more in that area to talk about, Bill?

Yes, I do. We had just about covered probable benefits of the surplus control of peaches of the California Marketing Act. But there are one or two observations which I would like to make in that connection. In the first place, I would like to say from my experience that it doesn't work out too good for a marketing order to try to control the quantity of a product too closely to what is estimated to be the market demand. For one thing, estimates of supply may not be absolutely accurate nor are the estimates of demand for a product exactly correct, and all of these things may change somewhat.

Furthermore, I have found from experience while I was with the department that in the event there is a continuing effort to balance the supply

closely with the market demand, the producers of the product tend, under those circumstances, to increase production. They seem to feel that the processing situation will be satisfactory, and if they can produce a little more it means that their total gross income will be greater. So it seems that it is better not to try to balance the supply precisely with market demand. But if it comes to within 10 to 12 percent and the production situation as far as any conscious effort of the growers to increase production does not occur, the law of supply and demand generally produces a price which is reasonably adequate under the circumstances.

Another thing that I have been thinking about for many years is the old adage that a bountiful crop is a blessing from On High. Now that might have been all right many, many years ago when farm products were produced and consumed locally. Under those conditions people would always get more of the product, had more to eat, and also the price was cheaper. But that's certainly not true and has not been true for many years now under the conditions of commercial marketing of farm products. In fact, today a so-called bounteous crop of some products can mean an actual disaster to the grower, and at the same time the consumer may not get any more of the product than he would from a crop of normal size.

Now why has that change taken place? Well, it is partly because many, many crops are only partly consumed locally. This is particularly true in California. But a very large proportion of the volume of crops grown here in this state must be transported to far distant centers of population in the East and Middle West. In order to get these products to the consumers in those areas, it means that there must be very substantial outlays of money for the harvesting of the crop to pay the packaging and processing charges, the transportation, shipping charges— including refrigeration on some of these crops, and also the general market charges for jobbers, wholesalers, and retailers, whoever is involved in the marketing of this product. All of these participants seem to get their share of the total final price before the grower gets anything for his investment and for his labor. And, in a year of overabundance, with a huge crop in the absence of any kind of a control to control the volume of the product to market on a weekly or monthly basis, the destination price almost always falls to such a low level that after these charges have been paid to get this crop from the farmer to the consumer, there isn't anything left for the grower.

What should a grower do in a situation of that sort, if there is nothing left for him— in fact, in some cases there might be a charge for the transportation. The grower does just about what we would expect: he just doesn't put in any more money to harvest the crop. He leaves the crop on the trees or in the ground, in the field, until such time as he can see that there will be some return for him, even though it may be low.

Since experience now in the past several years has indicated that some sort of marketing control program can offset these disastrous situations, the farmers in California, especially, have adopted these marketing control measures so that they can regulate the amount of the product that goes to market, and in such cases they get something for their crop, though it may

be very low. This is about what happened in the 1981 crop of navel oranges in California. I understand the farmers there got perhaps one cent per orange. But that was better than what marketing people estimated they would have gotten had there been no control of any kind.

What is the difference between a farm product surplus in price situation and the same on manufactured goods?

You mean between the farmers as a group and manufacturing agencies as a group?

Yes.

Well, it seems to me that one of the main differences would be that in in most manufactured products there are a few organizations involved, in some cases just a few. Also, they are able not only to check on their general supply of the product and the market demand, but they are able to change production from day to day and from week to week in order to conform with what changes occur in the market demand. That's something that most farmers can't do. The crop has been planted or it's in the form of trees or vines that just come on, and it certainly isn't an economical proposition for farmers to tear out an orchard in a season when there is a surplus. He simply has to sit by and let his crop come forward, and just hope that in the absence of any kind of control that the quantity of the crop will be such that it will bring a reasonable price or he will get something out of it.

It's mostly that the farmer can't control his production anywhere near as closely as a manufacturer, and of course we must not forget that in many of these crops there are just thousands of individual growers. There isn't anybody, in the absence of control, that can indicate to a farmer what he must do. He goes ahead and does what he thinks is best for himself, generally speaking.

You say the farmer kind of has to do what he thinks he has to do. What about the fact that a farmer can't by himself, as an individual farmer, have any major impact on the market, whereas manufacturers do?

That's simply a matter of relationship between his volume and the total volume of the crop. If he's one of ten thousand growers, of course. If he's a very large grower he might have some influence, but generally speaking, he wouldn't. It's just infinitesimal what he might do; and more than that, there isn't any concerted effort unless there is some kind of a control. Farmers may one season decide, generally speaking, to reduce the acreage of a certain crop, but in the same season some other farmers may increase. So it doesn't work out for the individual farmers. But as a whole, that's what makes up the difference between whether you have an oversupply or an undersupply. The Department of Agriculture, locally, provides information to farmers as to the acreage planted, or as to the number of beef cattle on pasture or on feed, and so forth. But that's after the fact. It often isn't anything that the farmer can judge his own production by.

In respect to the California Marketing Act and each marketing control program, what about the establishment of grades and the inspection of the product in relation to those grades?

I think we ought to remember that, in the first place, there are— and have been for many years— mandatory minimum grading standards for fresh fruits and vegetables in the agricultural code. But at the time we were considering the California Marketing Act, there were no grading standards established by law for fruits and vegetables destined for processing. As a matter of fact, the processors, canners, and freezers later on, were the only ones that were establishing any grading standards. They were also doing the inspection work. Obviously it was a unilateral operation.

So there was a great need to have some standards, some way of setting up grading standards for fruits and vegetables that were going to be processed, and that was accomplished by including the provision in the law so that the marketing order board on peaches or on asparagus, or on any of these products for processing, could establish the standards that were to apply on a product as it was delivered from the grower to the processing plant. This is exactly what has happened in just about every agricultural industry where grading and inspection was included.

Now, it was found after some years of experience that, in addition to the authority for establishing the standard, there was some need for flexibility or modification of standards from year to year. In order to be able to move the greatest amount of the product, not only for the benefit of the grower but also for the benefit of the consumer, it was found that as crops developed during each season, there would be different percentages of so-called "defects." Some of them are such that the product should be eliminated from the market, and some are simply having to do with the looks of the product. But in any event, many of the boards found that from year to year there was a need to provide for modification of these grade specifications so as to fit each season's crops and to get the maximum amount of the product to the consumer rather than to arbitrarily rule it out of the market.

And that now reflects again, with respect to the fixed standards— standards which are fixed in, let us say, the agricultural code. When the minimum standards for certain fruits and vegetables for fresh shipment were put into the agricultural code, they were quite often developed as what we might call fairly strict standards. After they were put into the code, in the following years as the crops matured it was found that some of these standards were altogether too rigid on one particular defect, and perhaps too loose on another defect. And so there was constant need to make changes to modify these grades, and this had to be done by the legislature upon the request of the industry and the California Department of Agriculture.

But over a good many years the net effect of these changes and modifications made by the legislature resulted in what might be termed to be a fairly loose standard, in some cases. There would be so much criticism on this defect, from year to year, that the legislature was asked to cut down those strict standards. In some cases, the standards became quite loose

and they weren't always suited to the marketing conditions that developed later on for fresh fruits and vegetables. So again, the marketing order standards, which could be modified from year to year, seemed to have a little more practical application on fresh fruits and vegetables from California than the minimum standards. They might be a little higher— in fact, they generally would be a little higher than some of the loosest grades in the agricultural code— but they were more adapted to the crop situation from year to year. I'm not saying this for the purpose of criticizing the minimum standards in the agricultural code; they had a purpose, they served a purpose for a long time and they may be serving a purpose now, but there has been a long period of time when more flexible standards seem to fit the situation better than the rigid fixed standards in the agricultural code.

How was that handled by the marketing order?

Well, the marketing order would set up a grading standard and provide for inspection, let's say, on a peach crop (cling peach crop) for a certain season. Now that was done in the light of the quality of the peaches as they were maturing, and it was possible to see what relative percentage of this defect or that defect would be coming forth in the total crop. So in order to get the maximum quantity of the product, not only for the grower but also for the consumer— to the exclusion, of course, of any serious defect like decay, worm infested fruit or something of that sort— if it were just cosmetic appearance, like a scab condition or something of that sort, that certainly wouldn't necessarily injure the flavor of the fruit or the actual value of the fruit. And so in that particular season an effort would be made to be somewhat more lenient in the grade specification on scab than it would be on something more serious.

In the end, the specification for that season would be more closely related to the quality and appearance of the crop, and in the next season it might be modified in another way. In this way the grading standards in the marketing orders were more closely adapted to the real quality and the appearance of the fruit.

Can you tell us the difference between those fruits that came under the agricultural code and those that didn't? Do you recall that kind of a situation?

Not particularly. When we first began talking about marketing orders in 1935 and 1937, there were quite a considerable number of fresh fruits and vegetables that were covered by the minimum standards in the agricultural code. And they've continued to be there.

Was there a difference between those on the fresh market and those on the processing?

I don't recall any basic difference there. A product like cling peaches has no place in the fresh market, because it isn't a product that

the consumer generally could use. It's a product that must go through a processing procedure of some kind before it's edible, except a small amount for home processing.

Were there any standards on cling peaches for canning in the code?

As I said earlier, there were none. There were no standards for products for processing. In the beginning it was mostly all canning. But then later on when freezing came in, there had to be standards for that product, too. That's the main difference. Of course, the growers of products for processing may have made— and I think they did do this— very strong efforts to get some standards established in the agricultural code for products for processing. But they were met by determined opposition from the processors, and it was always on the basis that it wasn't possible, they said, to set up standards for cling peaches, for example, because the crop varied from season to season. It couldn't be put into the code, because it would have to be changed all the time.

Were the standards in the marketing orders with the flexibility that you talked about somewhat higher or about equal to what is in the agricultural code?

Generally speaking, the standards established under marketing orders were higher than the minimum standards in the agricultural code. But this came about in the way that I explained previously. The minimum standards in the agricultural code had been attacked from year to year and reduced by the legislature, because one year the fixed standard was too high on this point; another year, the fixed standard was too high on that defect, with a result that it tended to lower the entire standard.

Under the marketing order it was allowed to vary from year to year depending upon the quality of the crop as it developed. But there was always the strong feeling on the part of growers to provide a good quality of the product to the consumer. For the most part, processers had the same idea. It was a rare situation where processers publicly would want to lower a standard too much. I think it's obvious why they wouldn't want to do that. They wouldn't want the public to think that they were willing to process and sell a lower grade product.

What about advertising and trade promotion in the marketing order?

That's the next point that I would like to take up, except that we might dispose of this one provision having to do with the control of unfair practices. When I first came to California and started thinking about marketing regulations, we heard a great deal from producers about the control of unfair practices. This was a charge that was made by growers against processers.

But after we began to develop marketing orders and administer marketing orders, we found out that most of the so-called unfair practices were things that happened under uncontrolled conditions. When we asked growers to specify unfair practices— when we were attempting to include them in the marketing

order— they found it impossible to specify what they called "unfair practices." So we never did include any unfair practice provisions in the marketing orders, and eventually it became a provision of the law that was never used. But at least that certainly couldn't be said about advertising and trade promotion.

Back on that subject of unfair practices: were you involved in a federal act with regard to unfair practices on producers? Perhaps it might have been the Talmadge Act that you went to Washington on, that dealt with discrimination against producers by reason of membership in co-ops, or something like that?

No, I don't seem to remember it. I remember a conference that we had one time with Senator Herman Talmadge from Georgia, but it had to do with a milk matter. He was very helpful on that. No, I don't recall anything there, but you may remember that in the first marketing act that was recommended by the Grange, they had included that provision for advertising and trade promotion, and there was a good deal of support for it. Now, I can understand the position of organizations like Sunkist and Diamond Brand Walnuts with regard to whether the law should include advertising and trade promotion. Certainly, in their situation with the brand name that was already well established by organizations like Sunkist and walnut growers, they were fearful that somehow the effort to promote the entire commodity might interrupt their brand advertising. They were never specific about it— we never could understand their precise position. Furthermore, when the authority for placing advertising and trade promotion in a marketing order was optional, those particular crops that needed it and wanted it could put it into their order, and those who didn't need it and didn't want it would not put it in there. It seemed to us that that was a sufficient safeguard for organizations like Sunkist and Diamond Brand Walnuts. That was pointed out to them, but even so, they didn't want it.

On the other hand, here's a crop like California Cling Peaches. It was a good product, but the product is grown by the grower and is delivered to a canner in most cases. The canner was selling it, each one under his own brand or preparing for a chain store brand of some sort. Therefore, the grower had no direct relationship with the consumer of his product. He wanted to have an organization, or an opportunity, to tell consumers about the goodness of his product, its wholesomeness, good taste, and so forth, and he had no way of doing it unless he could have some sort of an organization of this sort.

There was great talk that canners— Del Monte and Libby's, for example— might not want to have anything to do with that sort of thing. But in actual practice, after the act became effective, the canners came right along with the growers. They continued to advertise their own brands at their own expense, but they also helped the growers in developing sound promotional plans. I sat in on a good many meetings where the board, made up of growers and canners, met with advertising agencies, sometimes as many as five or six, each one with his own plan as to what would be the best way to advertise cling peaches.

The experience of the advertising executives of Del Monte, Libby, and others, was invaluable to the growers in advising them as to what types of advertising might be cost effective and what kinds of other advertising might not be. I remember one situation on prunes, where an advertising agency came up with the "hot-shot" idea of placing a barrel of prunes in every grocery store in the United States and carrying on a guessing contest as to the number of prunes in each of the barrels. When the total quantity of the barrels was added up, it was much greater than the total crop of prunes in the state of California. So we had some rather unwise suggestions made by advertising agencies as to what could be done.

In addition to the promotion of the product, which was just a plain business proposition, there was also a great need expressed by growers, especially growers of some of our specialty products like avocados, and even figs, dates and raisins at times. The growers said there was a need for them to explain to consumers the value of their products. They had never had a chance to do so, and they would like to do it. The only way they could do it is by having a marketing order where they could have the authority to do it. They could raise the money, go ahead and do the best they could to educate the consuming public with regard to the values of their products in the diet of the American people. The marketing order provided an opportunity to do this.

Who paid the bill through the marketing order, the growers or the processers?

It depended on whether the marketing order was a joint effort or not. If it was a joint effort, each side put in the same amount of money. If it was just the growers, the growers put it in; if it was a processer order, the processers put it in. But to start out with, it was a joint effort and each one put in the same amount of money.

I remember that in the wine deal, for example, it got up to $3 million a year quite fast, but that's another thing. In the wine deal, to begin with, it was started, I think, in 1939. At that time, right after prohibition, there was a great tendency on the part of consumers to want the heavy 20 to 22 percent alcohol sweet wines, which of course was the product generally used by "winos." The vintners of the state of California wanted to get away from that concept, and they wanted to induce the public to use more of the lighter table wines, and to get people to use wine with their dinner rather than to drink it as a dessert or for the purpose of getting intoxicated.

So in the case of wine, the effort in sales promotions work, in educational work, was geared to induce the consuming public throughout the United States to use the dinner wines, to have wine at their dinner, with less emphasis on the dessert wines. Over the years, that's precisely what happened. There was a constant increase in the sale of wine from perhaps seven percent per year to as much as nine percent in some years. Consumers gradually got away from the consumption of the heavier wines and into a substantial increase in their dinner wines. So that was accomplished.

In the case of cling peaches, for example, in 1938 there was a crop of 300,000 tons of cling peaches. The canneries wanted 250,000. They couldn't get together with the growers, and the price dropped from $40 a ton to $7.50. The canners bought all the peaches, canned all the peaches, sold what they could and the rest was carried over against the 1939 crop. Canners said that they couldn't use more than 250,000 tons of California cling peaches from the 1938 crop, but over the years from that time on there was a constant increase in the annual sales of California cling peaches. I haven't checked the latest figures, but I would guess that the total crop that is being bought and canned is something over 800,000 tons per year. Of course we have had some increase in population, but certainly not that much. So the advertising and trade promotion on cling peaches has been effective. You'd have to say that, no matter what, and it hasn't resulted in a great increase in price of cling peaches. The price to growers that is negotiated outside of the marketing order, between the grower's organization and the canners individually, has been based upon the supply and demand situation, the normal forces.

But at the same time the educational and advertising promotions that they've had have increased the awareness of the consuming public throughout the United States and in foreign countries as to the delectability of California cling peaches, and so the sales have increased. One doesn't have to say any more about it than that, because it has been effective.

We had a good deal more difficulty with dried fruits. I know that it was difficult, for example, to increase the sales of California dates and some other dried fruits. It appeared that there were some successes, but it was more difficult. Apparently the reason it was more difficult was because a great many young people up to 16, 18, 20 years old, simply didn't like dried fruits. This was something like the same sort of thing that happened with regard to milk at a certain time— they just didn't like dried fruits. It's a psychological thing, I guess, but it may be more difficult for the growers of these products in California to increase their sales. In any event, it tended at least to hold the market rather than to have it slip away and be lost entirely.

Were you involved in any milk promotion programs?

Oh, yes. I drafted the law which is used for milk promotion activity which, of course, is something else again. I think that is about all I would want to say about general agricultural product promotion. It has served a useful purpose, and is serving a purpose; it has to be used judiciously; it's not a burden on consumers; the producers and the processors themselves are footing the bill; and in the natural course, I guess the costs are passed on to the consumers. But the consumers have benefited also. They've had a better product, and have become aware of all the different kinds of fruits and vegetables that are being produced in California. They have a wider selection, and a better diet for their families.

Didn't you also draft a marketing order on milk for promotion, as well as work on the law?

Yes. I did a lot of drafting for various kinds of promotions. I remember the concern of the fresh milk industry with regard to the apparent attitude of young people, especially girls, against the use of milk. They were told by somebody, or somehow, that the thing to do was not to drink any milk because it was fattening. And then there was a lot of so-called research that came out sponsored by those who were selling some other kind of product, to the effect that milk and dairy products were very high in cholesterol and that milk should be avoided.

As a matter of fact, many physicians advised their patients to avoid milk. Eventually that information was changed by milk industry research. We went through that particular situation, too. So all of this is educational, but I think in the long run that what it has done is to make it possible for the growers of farm products in California to do what they can, not only to educate consumers but also to promote their products and increase sales. When they increase sales there's nowhere near the likelihood of their developing surpluses, as we had in the beginning of this activity. Indirectly, the advertising and trade promotion has helped to prevent surpluses of agricultural products, and also prevented looking to Washington for relief.

I understand that you've written a paper called "Early History of the Development of California Marketing Controls in Dairy Products and General Crops." That paper is included as an exhibit with this oral history.

Fine. I think you'll find it provides some basic information in this area.

How about research activities under the marketing law?

That came later on as an amendment to the authorized provisions of the act. I think it was passed in 1941, or it might have been in 1943. Anyway, there was a great demand for it because there was a continuing series of problems in agricultural production and in processing, and sometimes in distribution, which growers and handlers of farm products felt could be handled under the marketing act. Of course, the University of California was in a position to carry on research, but before the marketing act they could only do research in accordance with the budget which had been approved by the legislature each two years. If a problem arose in production, such as an unusual type of insect, bug or disease of some kind, there was a great need for immediate action. So we were asked to draft an amendment to the act so that that type of research would be authorized. The University of California through its dean of the College of Agriculture insisted that the work should be done there to the extent that they could do it. I don't think that there was any objection to this. The only thing was that there were certain types of research that the University of California was not prepared to carry on.

Anyway, from that time on after the amendment became effective, almost every marketing order that was issued included authority for research of some kind, and it was followed through quite generally by the agricultural groups, not only their farmer groups, but processers and those engaged in the marketing of the product. By the time I retired, research was becoming

one of the most popular provisions of the law. It was included in practically every marketing order that was issued.

There were some very outstanding results from it. One of the earliest results had to do with the grapefruit industry in Southern California. They were trying to can California grapefruit juice, and it turned out to be bitter. Nobody could figure out why it was bitter, so a contract under the grapefruit marketing order was made within the U.S. Bureau of Chemistry in the Los Angeles market. They carried on a research project for three years, and found out that the basic reason for the bitterness in the grapefruit juice was that some of the oil from the grapefruit peel was included in the juice in the extraction process, and that oil became rancid after the canning was done so that the grapefruit juice was bitter. What they did was not only to discover the reason for the rancidity but also to assist in the preparation of a new type of an extractor which eliminated most of the grapefruit oil from the peel, so it didn't get into the juice. That was one that I thought was very helpful.

I was reading about another project just a few days ago which was not in effect when I retired but it's a good example of what can be done. That is in the rice industry. I read the brochure put out by the rice industry with regard to their research project, which had to do, I think, with the determination of what could be done with this little worm that overwinters in rice stubble. Eventually I believe they found out what had to be done, and to some extent they were also able to reduce the amount of winter burning of rice stubble, and that was a boon to the people in the city of Sacramento. They didn't have to have so much smoke that always seemed to cause objection. But there are many, many examples of research in production and processing that one could enumerate. I don't know if it has ever been listed, but I heard about a great many of them. I don't think there is any question but that the research phases of the law have not only been very popular but have been very helpful, not only to growers but to everybody trying to get a better product to the consumer.

In addition to these specific provisions, that is, how these various authorized provisions have worked out over the years, there are a couple of general benefits that have come about from the marketing act. One of these is that under a marketing order that includes, let's say, both growers and processors, or growers and handlers of any kind, we have an organization where the total industry is together on some regulations and some things for the improvement of marketing of their products. If an emergency arises of the nature that can be handled under a marketing order, there is an organization in place with an appointed board and a representative that represents all growers and all processors, or if it's just producers alone it represents all producers of the product. It's an organization that is set up to function on many things: they have the money to do work; they have the knowledge and know-how to go ahead and do things; and it means that you have an organized industry that represents all growers and all handlers of the products. It's an organization that's ready to function, and it can function very rapidly in case of an emergency.

There's another thing that has occurred to me and that is that under marketing orders, or before we had marketing orders generally in effect, there was a great lack of marketing information available to growers. They were supplied some facts by handlers and by government publications, but individual growers, generally speaking, were not in a position to make use of the statistical information that was available. In many cases it was not complete, it was not adequate, and it was not information that was usable with regard to supply and demand conditions.

This would have helped some individual growers in knowing what the pricing situation should have been for their products. But in those years before marketing orders, processers, the handlers of farm products, with their personnel, were in a much better position to know what the facts were. Most of them had quite adequate facts with regard to the supply and demand situation, or the conditions affecting the crops each year, and so the handlers were in a much better position to indicate what the price should be on these products that they were buying than the growers. This was true even when there was a cooperative association.

The cooperative associations had great difficulty in getting the information, particularly information which was known only to the handlers. The handlers weren't inclined to give that information to any producer individually or cooperatively. So when the marketing orders came in and there was discussion about operations, setting up of various provisions and the operation of these provisions, the relationship between supply and demand was a matter that was definitely on top of the table for the consideration of all members of the board, and information which was available was made available.

For the first time growers began to know first hand what the facts were in regard to the essential features which determined the price under a supply and demand condition which existed from year to year. That's very important. And also as an outgrowth of this, there developed a feeling that some of the information was not adequate or correct, especially the information concerning the size of a growing crop, for example, cling peaches. How many cling peaches are we going to have this year, for example? There wasn't any precisely adequate way of determining what that crop might be at harvest time, and that was the type of information that was really needed if you were going to figure out whether you had an oversupply or an undersupply and what should be done about it. And so there developed a demand for more accurate methods of estimating the cling peach crop, and estimating the size of other crops.

It's not a criticism of the Crop Reporting Service of the U.S. Department of Agriculture or of the state. It's simply that in these cases where there was any type of control work being carried on, there was a great need not only by industry, but by the state officials who had responsibility in carrying out these things, to know much more closely the facts with regard to supply and the facts with regard to demand. Otherwise, they were not in position to act promptly and correctly with regard to the proposals made by the board or by the industry.

Under marketing orders they had the information. They could develop a new estimating technique, and that had been a development under marketing laws. So I would say that, as a general thing, has been another advantage that has come about— not only to growers but to everybody who has had anything to do with it, and that includes consumers. Under those circumstances instead of there being a runaway pricing situation, the facts would prevail and the consumer would pay a price commensurate with what the facts were.

I think we were just starting in upon evaluation of the milk laws.

I've given a good deal of thought to the pros and cons of the milk laws in the state of California. There wasn't any question at all about their value in their early years, but I think we need to give some further consideration to their value over the years and to where they stand at the present time.

In the first place, I would like to call attention to the fact that ever since the producer law and the distributor law, that is the Young Act and the Desmond Act have been effective in the state of California, we haven't had any milk wars. When I came to California in 1932, during the ensuing several months, if I remember correctly, there were eleven different marketing areas in the state that were undergoing milk wars. Some were simply wars between producers and distributors, but some, like Los Angeles, were wars between producers and distributors, and wars among the distributors themselves. But they are very destructive, and if there were nothing else accomplished by the milk laws, it would be that the milk industry, producers and distributors, have been spared the disruption and expense of these milk wars.

The second thing that I would like to say is that because of the stability of the milk industry in California since 1935 and 1937, it has been possible for the industry to concentrate on the production and distribution of a very high quality of milk and dairy products. Milk wars themselves sometimes resulted in a degrading of the quality of the milk, but since there has been stability and a settled condition, the quality of the milk in the state of California is, in my opinion, very, very high, and probably second to none in the United States.

The third thing which I see as a result of the milk laws is something which I think many, many people have overlooked, and that is that the consumers in the state of California have been able to purchase their supplies of high quality milk at very reasonable prices. The reasons for this are as follows, in my opinion: first, as far as the producer prices are concerned, there has been a very fine relationship between milk producers in this state and the College of Agriculture at Davis with their cow testing associations in the various parts of the state. As a result, milk production per cow in this state has become very high, one of the highest in the whole United States.

The second big reason why milk has been so reasonable in this state is because under the legislative standards of the milk laws, the Director of Agriculture is required to establish minimum prices based upon the

necessary costs of efficient producers and efficient distributors. In the early days of the milk laws, we found that a considerable number of producers and a considerable number of distributors, some of the largest distributors in the state, were not efficient enough to be able to furnish milk supplies at the minimum prices established by our department. But at the same time, there were others of sufficient volume so they could produce and distribute milk under the standards of the law and still make a reasonable return on their investment.

The effect of that as it was developed and as it was carried out over the years, since 1935 and 1937, was that in most cases both producers and distributors made a real effort to try to cut out their unnecessary expenses and to bring their costs down so that they might be able to operate with some margin of profit under the minimum prices established by the state. And in doing so, they developed a state of efficiency both in production and distribution which I think probably would be as efficient and as low cost as you might be able to find anywhere in the United States. As a result of that, consumers in the state of California have been benefiting from these minimum prices based upon such a high degree of efficiency in production and distribution, and they have been getting the high quality of milk at lower prices than in many, many other parts of the United States.

I am aware of the people who have made charges and criticisms and so forth; but in my opinion these people are making charges without knowing the law itself and how it is operated. In other words, these are unfounded charges that have no basis in fact. All that is necessary to do is to go to the grocery store and buy a quart or a half gallon of milk. Just the other day I checked on the price for what we call 2-10 low fat milk in one of those stores in Sacramento, and it's still priced at 96 cents.

Per half gallon?

Per half gallon. The half gallon was 96 cents, and it has remained at that level for quite a long time. That has nothing to do with any order of the governor or anybody else in suspending the distributor pricing. I talked to the store people about it. They said, "Well, we're doing all right, we're making money at 96 cents. We're not doing this out of charity or political fright. We can do this because we're efficient enough to do it." That ought to mean something to milk consumers.

What would a loaf of bread cost? If a half gallon of low fat would cost 96 cents, what would a loaf of bread cost?

Well, the loaf of bread, a regular loaf of bread, is in my opinion 82 cents. You can buy the day-old bread, the surplus bread for 52 cents, and some of it even cheaper than that. But I would say that the various grades and varieties of bread, fresh bread not on a special sale, could run about 65 to 85 cents. I'm not familiar with the prices for half gallons of milk in all markets of the United States, but I would recommend to anybody who doubts what I am saying to take a look at the price for 2-10 milk in New York City or Washington, D.C., or Boston, Massachusetts or Chicago, Illinois.

By 2-10 milk, you mean that's 2 percent fat and 10 percent solids not fat?

That's right. That's what we call low fat. That's the milk that I buy, and have been buying for some time. I don't know what the price for the regular milk is. As a matter of fact, our milk administration in California had quite a bit to do with the development of low fat milk, or 2-10 milk. I know that the proponents of some of the milk distributing firms came to us and talked about it and wanted to know if it could be authorized. Certainly, if that's what people want; they want less fat and they'd like to have higher percentages of solids not fat. So that's what was done. I think that people of the state who are really thinking people should take a good look at what the situation is. I don't think that if they do that, there is going to be any further criticism of the California milk laws.

I'd like to ask you a couple of questions about the marketing orders for milk. Our present marketing order and the federal marketing orders all have classified milk pricing systems for the dairy farmers. Do you think that this classified pricing system is of value, and do you think it's necessary?

Well, I think it's necessary because it isn't possible for milk producers to produce and deliver to the distributor precisely the quantity which his distributor has to have from day to day. Some distributors want a greater excess of delivery than others. But I have to say this: in the state of California, with the high cost of replacement stock— that is, new heifers— and with the feed costs as they are here in this state, the lack of pasture generally, high feed costs, with the high labor costs all on a unionized basis, really it is not very sensible for a milk producer in most of the major markets of the state to try to produce more milk than his distributor needs for his fresh milk requirements.

In other words, it isn't economical, it isn't profitable for producers to produce greatly in excess in the amount of milk which the distributor needs. In actual practice, however, a distributor needs more than his exact amount for fresh milk. From day to day he needs more than that, because sometimes the demands can fluctuate quite extensively within one or two days. So he needs more, he needs to have it, and he encourages his producer/supplier to produce somewhat more. And then, of course, he makes some of any surplus into fresh products besides the fresh milk in the cartons.

Under a classified milk pricing system, a distributor would pay a higher price for carton milk, a lower price for ice cream and cheese, and a lower price for butter and powder. Is this necessary? Why couldn't he just pay the farmer so much for his milk and use it whatever way he wants?

That's what they do in many markets in the middle west, for example. In Wisconsin and Minnesota, the producer simply gets a flat price and the distributor uses what he can use. For fresh products, he pays a higher price. For the rest of it, he is paid on a classified or usage basis.

I think there's some need in this state for the classified pricing. There is one thing that we have always found, and that is that milk distributors in California generally don't like to import too much milk to use in making their fresh products. They like to have the milk from their local producers so that they have it readily available. There are some producers— many producers— in the position where, by reason of their efficiency and so forth, they can afford to produce more milk for class two and class three than others who must get mostly class one for this milk.

Does the dairy industry in California need to continue paying out of their paychecks for promotion and for advertising, for selling milk?

Oh, I think that's definitely necessary. With the competition that goes on every day from all kinds of substitute products, especially for people who need to watch their nutrition, I think it's very definitely necessary for the dairy industry to promote its products— to point out the nutritional value of milk and dairy products and try to match the competition for the buying power of the public. Otherwise, the soft drink manufacturers, for example, have many times more dollars to spend to promote soft drinks all over the United States, and to try to promote synthetic dairy products. Also, every now and then it seems that some researcher comes out with a statement that milk and dairy products, and some other food products important to farmers are definitely bad. Then sooner or later more research turns up and says it's definitely good. The American farmer, the milk producers of California have to be in a position where they can protect themselves and protect their markets. If they don't, over the years other people are going to take the markets away from them.

I gather that the dairy farmers, through their marketing orders, should also be engaged in research.

I think that's one of the things that developed not only in general crops, but also under the milk law. We didn't put it into the marketing act or the milk law to begin with, but as we got along in the administration of these two segments of legislation, it became very clear that there was a great need for producers of all kinds. Here in California, for example, it is necessary to be able to undertake the necessary research quickly in order to solve problems that develop quickly.

You might say, "Well, why couldn't they do that?" To carry on research you have to have funds. You have to have money, and you have to have an agency like an advisory board or an agency under the milk law that can take hold of the thing and arrange for this necessary research. You have the money to go to someone like the University of California on milk, for example, and to ask them to carry on research along a certain line. If you go there with empty hands, they'll say, "Who's going to pay for this?" And if you say, "We have to get the money from the legislature," they'll say to you, "We're already set now for this next year. It'll be two years from now or one year from now before we can put it into our budget. You'll have to wait until the legislature has provided the money."

If you're dealing with a serious problem in milk, like a disease of some kind or some kind of pest that has developed in other crops or products, you can hardly wait two years to get an answer. You need to get the answer just as quickly as researchers can do it. If you have the money, which you will have under the milk law and under the marketing act, you have that money and a board that can handle it. They can go to the university immediately and get the thing started. I think that's one of the most important things. There are changes going on all the time, and problems are arising, and there needs to be some agency that can get the thing going quickly. It didn't work under the old scheme where the university had to get their money from the legislature.

What do you think would happen if we just pulled the milk marketing orders—just say, O.K., these were a child of the depression; that depression is over; the one we are in now is maybe not so severe; it was probably all right for its time, but its time has passed and now we must take the crutches away; let industry stand on its own; the state steps out of it—what would happen to the industry, to the public, if we discontinued these programs and let the free enterprise in that area work on its own?

In the first place, you'd never hear me advocating that. Let me tell you something: the milk laws in California are not the result of the Great Depression. The depression exacerbated the situation, but in 1924 and 1925 when I worked in the Division of Cooperative Marketing in Washington, our people in the Division of Cooperative Marketing were studying these problems of milk marketing way back there— long before there was any depression. We had never even heard of a depression. The farmers were setting up the cooperative associations to try to deal with this situation, but the cooperatives couldn't do it. They could do some things, but the co-ops never had enough control over supply nor could they enforce anything, so they couldn't solve the basic things that needed to be solved.

When we got into the depression these problems were right there at that time, and as the depression deepened the situation got worse, not just on milk but on everything, all farm products. So that's when the situation became so bad that farmers were going broke right and left. They demanded some action from the government in Washington, from the legislature in California, and this is what you got. What was done here in California was something that grew out of experience. Milk producers and distributors in California tried to use the Federal Agricultural Adjustment Act, but for constitutional reasons they couldn't use the federal law at that time. When we found that out, we moved to draft a state law.

So what happens if we just pull the rug out?

If the milk laws of California are taken away, it won't be long before you'll have a whole series of milk wars between producers and distributors; you'll have a serious overproduction which will end up in lower prices for a period of time. Then you'll have a lot of loose milk, that is, milk that isn't wanted by any distributor unless he can use it to cut prices. In a very short time what you'll have is a bunch of distributor milk wars that will end up with great losses to the distributors and great financial losses

to both the producers and distributors. You'll end up with, perhaps over a period of one or two years, a great many producers having to go broke. You'll end up with a lot fewer distributors, the distributors that can stand that kind of situation— that is, financial losses over a period of time. You'll have only a few who can survive, and those will be the ones that operate profitably in many markets of the United States so that they can afford to take a loss in the state of California. They will do that in order to wash out their competition in the state.

Now, from the consumer's standpoint that may sound just fine. They will say, "we're going to get cheaper milk, we're going to benefit by cut prices and the sky's the limit." And some consumers are foolish enough to buy that kind of package. What will happen in the absence of any regulations at all is what has happened in many other markets of the United States where there is no control at all. In a very short time after the distributors have washed out their competition pretty well, and after weaker ones have been washed out and the stronger ones have survived, they will lose no time to make up their losses by gradually, gradually increasing the prices for milk in all their markets in the state. When you end up, you won't be buying milk at 96 cents a half gallon, you'll be paying the price that you have to pay in Washington, D.C. and some large markets, which might be as much as $1.16 to $1.20 for one half gallon of 2-10 milk. In the long run, the consumer will lose; in the short run they may get some advantage— it's just like anything where you have a short period of bargain prices, and then you have to pay the fiddler afterward. That's what I think will happen.

Has the decline in the number of distributors over the years affected this, the economics of the situation you just described?

The decline in the number of distributors in this state has resulted from a number of factors. In the first place, in Los Angeles, before the milk war was there, they had over 200 small producers/distributors. The reason for that was they were producers who just thought they could not get along with the prices for bulk milk which they got from their distributors. So they conceived the idea that if they went into distribution themselves and set up a quick pasteurizing procedure, and had a few trucks that they could get more total money for their milk. Some were successful, some were not. They were almost all home delivery people, and they weren't subject to quite the concentration of competitive pricing as some of the majors were in the downtown areas.

As a result of the milk laws, the pricing procedures under the Young Act and under the Desmond Act, a great many of these so-called producer/distributors found that it wasn't worth the trouble for them to try to distribute their own milk. They found that as home delivery began to go out, the prices being paid by distributors for their bulk milk were adequate, were sufficient, so it was better for them just to discontinue trying to be distributors. They went back to being bulk milk producers. There were some other distributors that went out. The "fly by night" distributor who was just operating on a shoestring, for example: if his costs were relatively high he found that

with the minimum prices established under the state law, he couldn't make it, so he went out of business. As I said earlier, the competition became more and more efficient both in production and distribution, and this had the tendency of taking some producers and some distributors out of business. But that was a wholesome thing— you have plenty of distributors here in all of the markets, some large, some small, some medium-sized. It wasn't the wash-out as you might have with a milk war.

I have one last question. I know it's improper to lead the witness, and you're not supposed to ask that kind of question— but I'd like to ask one last question and lead the witness. I believe that your innovations, your work, your contributions in the area of milk marketing as well as other markets has been of great benefit to all the people of this state. Do you not agree with me? That's my last question.

My friend, I would rather have someone else make that judgment. I tried to point out the things I saw. If I hadn't believed that we were doing something that was worthwhile and beneficial, not just to the producers and distributors and the market people of the state, but to the consumers, I would not have done it at all. I have no apologies to offer to anybody with respect to the effect of these laws upon the consumers of this state. All I ask for them to do is to please read it and study; after that I have nothing further to say.

XI. HIGHLIGHTS FROM THE PAST

Comment for us on some of the highlights of your years of experience.

In working with the state agricultural commissioners, secretaries of agriculture, and similar individuals all over the United States, I have found, especially by about 1960, that they were very much aggravated by a tendency on the part of the United States Department of Agriculture in Washington to tend to forget that there was a state Department of Agriculture. When Washington had some sort of project that they wanted to start up, they tended to forget that there were, in some instances, personnel in this department who were perfectly well qualified and trained to do that work. There was a feeling that there was a tendency for Washington to come in and duplicate, not only the work but also the personnel that were doing that kind of work.

I conceived the idea that there might be a federal statute which would require the Secretary of Agriculture of the United States to try to work with the state departments of agriculture throughout the country, to see if they couldn't work out some sort of an arrangement whereby the state could do the work under some supervision from the federal government—or at least, in any event, get the work done without duplication, and certainly without duplication of personnel.

So I drafted such a bill, and it was reviewed and approved by a committee from the secretaries and directors of state departments of agriculture throughout the United States. I took the bill to Washington and I discussed it with Congressman Hagen from Fresno. He's not in the Congress anymore, but I discussed it with him and he thought it was a pretty good bill, and he introduced it. I happened to be in Washington at the time, and to my very great surprise I got a call from the Secretary of Agriculture, who was at that time Orville Freeman. Very shortly, about 10 o'clock the next morning, he asked me to come over as soon as I could. I went right on over and he said, "What's about this bill that you people drafted and is being handled by Congressman Hagen?" I told him what the purpose was and I said, "It's not for the purpose of blocking the U.S.D.A.; it's simply to avoid duplication of service. In California, for example, we have various agencies that can handle some of these things, and we'd be glad to do it." He said, "I think that's a fine idea."

He picked up the telephone and he called somebody over in the Congress, and that bill went through the Congress. It was signed by the President within ten days of the time I was in Washington. I'll never forget it. It was just one of those things where you just happened to hit a sensitive nerve and the Secretary was very favorable to the thing, and it went right

on through. Even Hagen called me and said, "What in the world did you do to grease the skids under the bill?" I said that I had just talked to the Secretary, that was all. I thought that was kind of interesting— sometimes things go through pretty fast.

Is that still on the books?

As far as I know. It should be, and it should be observed by the United States Department of Agriculture. Another thing that I enjoyed very much was when Governor Pat Brown selected me to be a member of the nine-member committee to go to Chile. They called it the Chile-California Project.

The purpose of the thing was to go down to Chile and study their agriculture and economy generally, and make a report not only to the president of Chile but also to the governor of the state of California. I was asked to study the marketing of farm products in Chile. I went down there with that thought in mind. The first three days were spent in briefing us, and we received an excellent briefing by the representatives of the Chilean government, particularly their Ministry of Agriculture. I must say it was an excellent job. We all took copious notes on the whole thing.

There was no great emphasis on marketing in those briefings, only a little. But then the itinerary was announced to us. We were to start out there and fly to Portomonte, which is down in the south end of the valley, and to use buses from there to visit irrigation projects, dams, road projects, and many other things which had no particular bearing on the marketing.

So I discussed it with the chairman of the committee, Hugo Fisher. He was from Public Works, as they used to call it. Hugo was an attorney. I said, "When will I have an opportunity to sit down with the marketing people in the Ministry of Agriculture to find out something about their marketing?" He said, "We don't have it on the agenda." He said we would be gone until the day before we leave, and we would get back to Santiago the night before; we would leave the next day. So I said that would put me in a bad spot, since I was asked to make a study of the marketing of farm products in Chile. He said, "Well, I can't do anything about it."

Lionel Steinberg, who at a later date was on the Board of Agriculture, was a member of that committee and heard the same thing I did. We got our heads together. We said, "We'll be going back to Sacramento without having anything to report with regard to the marketing of farm products in Chile. What are we going to do about it?"

Together we talked to someone in the Ministry of Agriculture who was with our group. He said, "Just a minute— I'll see what I can do for you." We were way down at the end of the valley. He came in about 30 minutes and said, "Get your bags. We're going to the airport. We have a Chilean

military airplane ready. They will take you back to Santiago. We've already arranged for your conferences with the Ministry of Agriculture officials on marketing." We said, "What's the cost?" He said, "No cost— you'll leave in thirty minutes."

I'm afraid Hugo Fisher didn't like that too much— we hardly had a chance to say goodby to the rest of the members of the committee. We got our bags and took off to the airport. It was just a regular Chilean Air Force plane, and we were in Santiago two hours later. We spent all the time there getting briefed on what was going on in marketing. As it was we got all that was necessary and I wrote up that report and turned it in, but otherwise we would have had nothing. I thought it was a little unusual the way it worked out. There just wasn't any marketing on the agenda that had been developed by these other people on the committee.

Another thing that was interesting to me was that in the early 1960s, very shortly after James Ralph became Assistant Secretary of Agriculture, we heard rumors that things were not going too well. I didn't know what was going on. I got a request from the Director of Agriculture and the governor to go back to Washington to make a study of the marketing programs under federal law. I didn't know what the score was. I consented to do it because I had some ideas on it. I was chief deputy here at that time.

When I got back there it was just at the time that James Ralph was being dismissed by the Secretary. I won't go into that, but the Secretary told me he wanted me to study their marketing programs. I did. I made some recommendations, wrote up a report— it took about a month. I learned later that I was supposed to stay at least three months, but it took me about a month to study the programs they had and to make some suggestions. I made some suggestions for the modification of the federal law, which probably would have the effect of broadening the application on farm products that they had in the federal act. I also made some suggestions re procedures that would have brought the operation and the policy features of the federal law closer to what we had learned and what we were doing in California.

I found out afterwards that there wasn't anything wrong with the report which I submitted, except that it wasn't politically palatable to some of the people in the marketing work in the federal government. I also found out that I had been invited to come there without any clearance of some of those people, and to some extent they weren't too happy about my coming. As a matter of fact, they asked me point blank why I was there. I went there with the best of intentions, but I found out that it wasn't going to be possible for me to make any contribution to what they were doing under the circumstances.

The other thing that I wanted to mention was something that came up, I think it was in 1961 or 1962. I was notified that the Secretary of Agriculture had selected me to receive the Superior Service Award. I didn't know anything about it until it had been announced, and then I got official word from the Secretary of Agriculture. They sent me four tickets to attend the ceremony which was to be, you probably remember, Don, that amphitheater that was right there by the Washington Monument. They had a number of people

in the U.S.D.A. that were receiving these awards and it turned out that I was the first employee of any state department of agriculture who was ever given this award.

Anyway, we sat up there on this platform— there must have been two or three thousand people out in front, and my wife was with me— and since I had only four tickets I invited my old chief of the Division of Marketing in Washington, D.C, Andrew W. McKay and his wife to be my guest. Lyndon Johnson, who was then Vice-President under John Kennedy, made the address, and then Orville Freeman made the presentation. It was pretty much of a surprise. Someone, I think it was Merle Hussong, arranged to have a special tape made from the time I got to receive the award until it was all over with, and they sent me the film. I still have it. It's a silent film but it was accurate. That was kind of a highlight; I really thought that was nice.

XII. RETIREMENT, WORLD TRAVEL AND COMMUNITY SERVICE

What kinds of activities have you been busy with since retirement?

Following retirement in 1963, my wife Dorothy and I enjoyed trips to Japan, Taiwan, the Phillipines and Hong Kong. We also had a fine trip to Alaska and Western Canada. Later we had a three month motor trip through West Germany, Switzerland, Austria, Italy, France, Spain and back through France to Paris. From there we crossed the Channel to England, where we spent several days in the Devon country. We then took the Lake Country trip to Edinburgh where we saw the annual gathering of the bagpipe bands, and we left Scotland by way of Glasgow, returning home through New York.

In early 1971 Dorothy suffered a sudden cerebral hemorrhage and passed away on February 11, 1971. A year or so later I married Esther Fisher, formerly from Sacramento, who with her son and daughter own a 250 acre cattle ranch near Fiddletown in Amador County, California. Since our marriage my wife and I have operated this ranch for beef cattle, timber, and in 1982 for oak firewood to salvage trees which fell from a sudden snowstorm in late February.

Since our marriage Esther and I have had an extensive tour of Africa. Starting at Casablanca, we flew to most of the coast countries on the west coast. Then we crossed over to Johannesburg in South Africa. From there we proceeded northward along the east coast of Africa, finally ending our tour at Cairo, Athens and Paris. We also later visited the Communist capitols of Warsaw, Leningrad, Moscow, Bucharest, Budapest and Prague. While in Russia we saw many unfinished apartment buildings. Upon inquiry, the tour guides explained that their "defense needs" were given priority for the needed steel, lumber and cement.

Meantime I have maintained my home in Sacramento and have been quite active there. Shortly after retirement, I was chairman of a 26 member committee of property owners which brought street lights to several blocks of the Riverside area. In 1971 I was elected and served one year as Big Sir (President) of Branch 3 Sons in Retirement. In 1973 I served as president of the Ambassadors Club of Sacramento. My wife and I are members of the Comstock Club of Sacramento. I am also a member of the Scottish Rite and Shrine Clubs of Sacramento.

At 87 I am still quite active. I thought that I was retiring in 1963, but so far "retirement" has eluded me.

APPENDIX

THE EARLY HISTORY OF THE DEVELOPMENT OF CALIFORNIA MARKETING CONTROLS IN DAIRY PRODUCTS AND GENERAL CROPS

By William Kuhrt

I. General Crops

Since the depression period in the early thirties, especially in California, many persons, including some responsible researchers, have claimed that marketing controls arose primarily because of marketing conditions which prevailed during the depression, and that these controls are now no longer needed. Such views are quite inaccurate, and indicate a failure to study or understand the agricultural marketing problems confronting farmers and their marketing organizations long before the depression made its appearance. To obtain a more accurate understanding of the developing causes, one must examine the history of the development of farmer cooperatives and understand the reasons why many of these farm cooperatives were formed.

In the early days of the farm cooperative movement, several cooperatives were formed primarily because farmers needed a capable marketing agency. Among such cooperatives one could include such organizations as Sunkist, Diamond Walnut Growers and a few more in California, Land O' Lakes in Minnesota, Dairymen's League in New York, and several others in other states. But farmers were plagued by other vexing problems such as seasons of demoralized prices due to seasonal surpluses, adverse market reaction to the quality of the products reaching the market, the need to hold their market outlets which were being eroded by heavy promotion of substitutes, and the inability on the part of unorganized growers to develop the money and the arrangements to study and resolve some very urgent production and marketing problems.

All of these marketing problems were present during the early days of the development of farm cooperatives and much attention was given to them, especially during the period from 1920 to 1930. During this period there developed a great surge of effort to organize farm cooperatives to cope with these marketing problems. In the early 1920s, a bulletin was released by the Bureau of Agricultural Economics, U.S. Department of Agriculture, describing the development and operation of cooperatives in Denmark, based upon a study by Chris L. Christensen. This bulletin described how Danish farmers, backed by their government, were able to control the marketing of their products and resolve many of their marketing problems. Careful study of the Danish operation showed that at least part of the reason for success was because of government fiat which required all producers of a particular product to participate. This feature of the Danish program was fully realized by some cooperative

leaders in the United States, including C. C. Teague, President of Sunkist, and Carlisle Thorpe, President of Walnut Growers. However, many farmers and farm leaders ignored this factor and proceeded to organize cooperatives, commodity by commodity, on an independent basis.

The cooperative surge in the 1920s resulted in the passage by Congress of the Farm Cooperative Act in 1928 with an appropriation of $500,000,000; creation of the Federal Farm Board; and a mandate by the Act to the U. S. Department of Agriculture to assist farmers to organize cooperatives. The immediate task of carrying out the provisions of the Act was given to the Division of Cooperative Marketing (formerly Agricultural Cooperation) in the Bureau of Agricultural Economics, U. S. Department of Agriculture. Chris L. Christensen was already chief of this division. Several commodity sections were established including grain, dairy, fruits and vegetables, cotton, tobacco, livestock and one or two others. Experienced marketing economists were appointed section chiefs with duties to assist existing cooperatives in their commodity fields and to assist farmers to organize additional cooperatives.

Prior to and after passage of the Cooperative Act many cooperatives were formed in the United States in the commodity fields of grain, cotton, tobacco, livestock, and fruits and vegetables. Some of these cooperatives were formed on a local cooperative basis and membership in a regional or commodity organization similar to Sunkist. However, another form of organization termed a "pool" or pooling provided only direct membership in the Central Pooling Association. Such were the grain pools in Minnesota, North Dakota, Kansas, and especially the Canadian wheat pool. This type of organization was promoted by Aaron Sapiro, a San Francisco attorney. Similar type organizations were set up for cotton and tobacco. The economic concept of this type of organization was to obtain marketing control over all or as large a percentage of the commodity as possible and then feed the product into the market as rapidly as satisfactory market prices could be maintained.

As noted above, the pooling type associations attempted to control prices for their product by control of the supply of the product. None of these organizations were able to obtain sufficient members to control the total of the competitive supply. The Canadian Wheat Pool, with approximately 80% of the total supply of Canadian wheat, advanced 80 cents per bushel on a 90 cent market price. The money was borrowed from Canadian banks. The pool tried to hold up prices meanwhile, but buyers were able to buy sufficient wheat to meet their needs at rapidly falling prices. Finally, the pool was forced to sell mostly at a loss of 10 cents per bushel. The pool was unable to repay their bank loans which were finally repaid by the Canadian provinces of Manitoba, Saskatchewan and Alberta.

This debacle presaged the failure of similar type associations. Efforts to control supplies and surpluses by cooperatives in the United States ended with more or less similar results—independent growers sold all of their product at market prices while cooperatives held back in the sale of member product, leaving the cooperative to handle the industry surplus at a surplus market price level. This type of operation was so unfair to members of cooperatives that most of these cooperatives soon went out of business. This process was speeded up when the Federal Farm Board, through its Grain Stabilization Corporation, ran out of money—wheat prices then declined, and the Corporation lost $14,000,000—and went out of business, and so did the Federal Farm Board. That ended the era of trying to control volume and prices by cooperative organization. Producers of products used for processing had no means of reaching the ultimate consumers of their products since processers were interested in promoting their

products on their brand, rather than a commodity basis. In California, especially, farmers were producing many new products which were not well known in Eastern and Midwestern markets, such as avocados, artichokes, dates, figs and many others. These products needed educational efforts to increase consumption. Thus these marketing problems remained unresolved for many farmers and their cooperatives.

On the marketing problem of improving quality of the product reaching the market, many cooperatives had undertaken this type of control. Some cooperatives, especially those with a membership representing a large proportion of the total supply, were able to establish grades and other quality standards which improved market acceptance. Others with lesser control experienced difficulties in improving market acceptance. Independent growers paid little attention to grading or quality standards, other than what their buyers required. Markets receiving large quantities of low grade product tended to establish price levels based upon these lower grade products, and higher grade products did not always command a higher price. This was especially true of fruits and vegetables being produced and shipped fresh. In this field, California was rapidly becoming the major factor.

In the field of needed research, there were many problems in production, processing and marketing. The problem here was based upon needed money to finance the work and a direct means of getting the research results out to those needing them. Universities were interested in helping, but their research budgets were approved by legislatures, sometimes each two years, as they developed from time to time—unless new money was made available. There was also a need to have an organization which could work with such research agencies in planning and financing the project, and at the conclusion to make use of the findings in the most practical and effective manner.

These were the basic reasons why farmers and their cooperatives supported federal legislation, and why California farmers supported state legislation.

II. Milk and Dairy Products

As noted in the previous section relating to basic causes for development of marketing controls, some dairy cooperatives were formed during the period from 1920 to 1930. Some, like Land O' Lakes Creameries, were formed to process and sell all of their members' milk, including pasteurized fresh milk, cream, cottage cheese, butter and cheese. Others like Dairymen's League in New York sold the milk production of its members mostly to milk processors operating in the marketing area of New York, New Jersey, Connecticut and Pennsylvania. Cooperatives of this type were and still are quite successful. Also in many fluid milk sheds throughout the country, including California, milk associations were formed to negotiate with and sell their members' milk to distributors. Their efforts were largely in the price-bargaining field and their effectiveness was largely in proportion to the proportion of available supply which was produced by their members. In many areas, milk distributors had sufficient volume of daily supply under direct contract with individual producers so that the association control was limited. In California, associations in Los Angeles, San Diego, San Francisco, and Alameda were functioning in this limited capacity.

As the depression deepened, many producers were dissatisfied with the prices and usages being obtained from distributors and, in the Los Angeles market especially, some producers were marketing their own milk, to a considerable extent as raw, unpasteurized milk. Another aspect of the Los Angeles market was that many diarymen had started up largely with borrowed money. As consumption began to decrease and the depression set in, prices fell, and many producers increased production in order to obtain sufficient monthly income to meet their obligations. A considerable number of producers lost their regular market for their milk and frantically offered their production for any price obtainable. This so-called "loose milk" caused price cutting by distributors of this low cost supply, and in the end resulted in tragic milk wars—one between producers and distributors, and the other between distributors. Similar, yet not quite so severe conditions developed in the other fresh milk markets of California, and led to formation of voluntary control programs under the supervision of the Bureau of Markets of the state Department of Agriculture. When the Federal Agricultural Adjustment Act was passed by Congress, producers in California tried to use this act to obtain enforcement power but these federal marketing agreements and licenses failed when a federal court in Los Angeles ruled that the marketing of fresh milk in California was not in interstate commerce and therefore could not be regulated by federal law. This left California producers with only the alternative of obtaining milk control legislation under state law. These are the reasons and the conditions which caused California milk producers and distributors to support milk control legislation in California.

INDEX

Abel, Edson, 75
Adamson, Smoke, 38
Adohr Creameries, 38
Agricultural Adjustment Act, 67, 105
Agricultural Adjustment Administration, 38, 44
Agricultural Producers Marketing Act, 70, 74, 75
Agricultural Prorate Act, 62, 63, 65, 69, 72–75
Agricultural Prorate Advisory Commission, 75, 76
Agricultural Prorate Commission, 62, 69, 70, 71, 72, 73, 75
American Farm Bureau Federation, 65
American University, 33
Arden Dairies, 38
Arbitration Act, 38
Aroni, Tony, 39
Asparagus Growers Association, 65

Babcock, Howard, 15, 16, 17
Battery Commanders School, 10
Black, John R., 33
Bordens, 38
Borden Cost Point System, 35
Brock, Anson, 48, 49, 60, 61, 62, 65, 66, 73
Brooks Locomotive Works, 2
Brown, Pat (Edmund H.), Sr., 109

California Canning Peach Association, 65, 76, 83
California Cling Peach Growers Association, 76
California Farm Bureau Federation, 62, 65
California Marketing Act of 1937, 62, 68, 69, 70, 71, 77, 82, 87–89, 92
California Marketing Agreement Act of 1935, 64, 67
California Milk Producers Association, 38, 48
California State Grange, 64, 65
California Walnut Growers Association (Diamond), 25, 65, 68, 85, 95, 113, 114
Canadian Wheat Pool, 86
Carey, Joe, 59
Carnation Company, 38
Cecil, W.J., 60, 71, 72, 74
Challenge Dairy, 39
Chile–California Project, 109
Christensen, Chris L., 113, 114
Claudius, Skip, 35
Cling Peach Advisory Board, 77
Commons, John R., 47
Coke, Earl, 76
Cornell University, 8, 9, 12, 13, 15, 16
Crittenden, Bradford S., 68
Crown City Dairies, 38

Dairymen's League, 15, 16, 17, 25, 85, 113, 115
Day, Tom, 38
Del Monte Corporation, 95, 96
Desmond, Earl, 55, 56
Desmond Act of 1927, 54, 55, 72, 101

Edinger, W.J., 76

Farm Cooperative Act (1928), 76
Farmers National Grain Corporation, 22, 27, 29, 30, 86
Farmers Union Terminal Association, 32
Federal Farm Board, 22, 25, 26, 27, 28, 29, 30, 86, 114
Federal Farm Board Act (1928), 22, 25
Fisher, Esther, 112
Fisher, Hugo, 109
Flood, Frank, 38
Foremost Dairy, 38
Fourth Officers Training School, 10
Freeman, Orville, 108, 111

Giannini Foundation (University of California, Berkeley), 34, 62

Hagen, Harlan, 108, 109
Hibbert, Charlie, 39
Huff, C.E., 31
Hussong, Merle, 111

Jacobsen, W.C., 39
Johnson, Lyndon, 111

Knudsen Dairy, 38
Knudsen, Tom, 38
Kraft Cheese, 43
Kuhrt, Ethelyn, 2
Kuhrt, Marguerite, 2
Kuhrt, Marjorie, 2
Kuhrt, Raymond, 2
Kuhrt, Reuben, 2
Kuhrt, William Maurice, 1

Land O' Lakes Creamery, 25, 85, 113, 115
Lautrup, Nels, 38
Libby's, 95, 96
Little Agricultural Adjustment Act, 62
Los Angeles Milk Arbitration Board, 38, 39, 45, 47, 48
Los Angeles Milk Industry Board, 46
Lucerne Cream and Butter Association, 44

Macklin, Theodore, 33
Maharg, Earl, 38, 41
Marcus, Aaron, 38
Merriam, Frank, 58
Marshall, John, Jr., 56
Massman, Elizabeth, 2
McGovern, Frank, 35
McKay, Andrew W., 17, 22, 111
Mendum, S.W., 18

Metzger, Hutzel, 26
Minneapolis Tribune, 31
Mordecai, Ezekiel, 20, 26
More, Dorothy, 21, 22, 23, 24, 112
More, Alexander, Yule, 23
Moulton, Dudley, 36
Myers, Bill, 9

National Agricultural Adjustment Act, 40, 41, 42, 44, 45, 46
New York State Apple Growers Association, 15
Nickel Plate Railroad, 1
North Dakota State Agricultural College, 22, 23
North Pacific Grain Growers, 22, 32
Northwest Grain Association, 28, 29, 30, 31, 32, 86

Olson, Culbert, 58

Paulucci, Joe, 49
Parker, Bill, 58, 59

Ralph, James, 110
Rolph, James, 36
Reed, Daniel, 2, 11

Safeway, 44
San Bernardino–Riverside Milk Producers Association, 52
SanFrancisco Milk Producers Association, 35
Sapiro, Aaron, 85
Sehlmeyer, George, 64, 66, 68
Stabler, Bill, 38
Steinberg, Lionel, 109
Sullivan, Ed, 38
Sunkist, 25, 28, 49, 65, 68, 85, 95, 113, 114

Talmadge, Herman, 95
Teague, C.C., 28, 114
Tinley, James, 54
Thorpe, Carlisle, 114
Tobriner, Matthew O., 65
Tolley, Howard, 34

University of California, Berkeley, 48
University of California, Davis, 54, 56
University of Minnesota, 20, 21, 35

Vehlow, Ernest, 52, 53, 55, 56

Warren, Earl, 60
Waxham, Stubby (Raymond), 5
Whitcombe, Jack, 47

Young, Sanborn, 49
Young Act for Producers, 52, 53, 55, 101